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Tie vote sinks gambling bill

Rosemont casino hopes on hold

By Ray Long and Rick Pearson
TRIBUNE STAFF WRITERS

SPRINGFIELD—On a tie vote, the Illinois Senate rejected a plan late Monday that would have opened the door to a casino in Rosemont, reopened Arlington International Racecourse and allowed nonstop gambling at docked riverboats.

The initial vote on the package showed it had passed on the nar-

rowest of margins, a 30-29 vote.

But Sen. Evelyn Bowles (D-Edwardsville) left the chamber after voting in favor of the bill. When opponents challenged her vote, it was stricken from the roll call. The bill then failed 29-29.

Supporters used a parliamentary maneuver that would allow the bill to be called for another vote this week. Republican Senate President James "Pate" Philip of Wood Dale pronounced the legislation "still alive" and said he would try to "find another vote somewhere."

The Senate vote followed a day of frenetic lobbying by pro- and anti-gambling forces on a bill that would have fundamentally changed

the nature of where and how often people can place a bet in Illinois. Gov. George Ryan had indicated he would sign the bill into law.

But its rejection was the latest defeat among dozens of attempts to rewrite the state's riverboat gambling law, authorized nine years ago. Previous attempts included Mayor Richard Daley's ill-fated quest to bring casinos to Chicago and several attempts to bring boats to Lake County.

Bowles, a former Madison County clerk who has been in the Senate since 1994, said she was not aware that opponents of the legislation had challenged her vote.

"I was called off [the Senate

floor] and somebody wanted to talk to me," said Bowles, whose southwestern Illinois district includes the Alton Belle riverboat casino and Fairmount Park Racetrack in Collinsville.

Bowles acknowledged she still had concerns about the measure and said she was undecided if she would vote for it if it is called for another vote.

Philip, however, contended that "somebody scared her off the [Senate] floor."

"Now we'll have to see if we have another vote," he said.

Supporters of the legislation cheered when it appeared the bill

SEE GAMBLING, PAGE 13

(Indicate page, name of newspaper, city and state.)

THE CHICAGO TRIBUNE

Chicago, Illinois

Date: West Final Edition
Edition: May 25, 1999
Page One

Title: "Tie vote sinks gambling bill"

Character:

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DONALD STEVENS

- Mayor of Rosemont

ARTHUR BERMAN

RICKEY HENDON

EMIL JONES

WILLIAM SHAW

DONNE TROTTER

- Illinois State Senators

How Illinois Senate voted

REPUBLICANS VOTING YES

Cronin (Elmhurst); Dillard (Hinsdale); Dudycz (Chicago); Fawell (Glen Ellyn); Geo-Karis (Zion); Wendell Jones (Palatine); Karpiel (Carol Stream); Klemm (Crystal Lake); Robert Madigan (Lincoln); Maitland (Bloomington); Myers (Danville); Parker (Northbrook); Peterson (Long Grove); Petka (Plainfield); Philip (Wood Dale); Thomas Walsh (LaGrange Park); Watson (Greenville); Weaver (Urbana)

REPUBLICANS VOTING NO

Bomke (Springfield); Burzynski (Sycamore); Donahue (Quincy); Hawkinson (Galesburg); Lauzen (Aurora); Lueschtefeld (Okawville); Mahar (Orland Park); Noland (Blue Mound); O'Malley (Palos Park); Radogno (LaGrange); Rauschenberger (Elgin); Sieben (Geneseo); Sullivan (Park Ridge); Syverson (Rockford)

DEMOCRATS VOTING YES

Clayborne (East St. Louis); Cullerton (Chicago); DeLeo (Chicago); Jacobs (East Moline); Lightford (Chicago); Molero (Chicago); Munoz (Chicago); O'Daniel (Mt. Vernon); Rea (Christopher); Viverito (Burbank); Lawrence Walsh (Elwood)

DEMOCRATS VOTING NO

Berman (Chicago); del Valle (Chicago); Demuzio (Carlinville); Halvorson (Crest); Hendon (Chicago); Emil Jones (Chicago); Link (Highwood); Lisa Madigan (Chicago); Obama (Chicago); Shadid (Edwardsville); Shaw (Chicago); Silverstein (Chicago); Smith (Chicago); Trotter (Chicago); Welch (Peru)

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Gambling

CONTINUED FROM PAGE 1

passed. But after Bowles' name was called following the challenge, senators scurried to phone booths and the women's bathroom to try to find her. Still absent, Bowles' vote was knocked off the roll call by Senate Democratic leader Emil Jones of Chicago, a key opponent of the measure.

Rosemont Mayor Donald Stephens, who lobbied heavily for the legislation, left the Statehouse quickly after the vote and without commenting.

As the Senate was debating for 90 minutes, pro-gambling lobbyists leaned forward in their seats, peering down from the Senate's rear gallery. Anti-gambling lobbyists worked the hallways, trying to collar senators.

On the Senate floor, Chicago Democratic Sen. James DeLeo worked with Sen. Denny Jacobs (D-East Moline) to persuade colleagues to support the measure.

Rep. Angelo "Skip" Saviano (R-Elmwood Park), a Stephens ally who journeyed across the rotunda to rally the troops on behalf of Rosemont, sipped bottled water and watched.

At the height of the lobbying, Jacobs stood toe-to-toe with Jones in front of Jones' desk. Making his point, Jones repeatedly tapped Jacobs on the chest.

During the debate, Jacobs told his colleagues that he had never begged for a vote. But he warned the riverboat based in Rock Island would go out of business if senators did not approve the provision to let gambling boats remained docked around the clock.

"I'm here now to beg this body ... if for no other reason than to save my boat in Rock Island," said Jacobs, the sponsor of the original riverboat gambling law.

The legislation would have removed the ban on riverboat gambling in Cook County and allowed the transfer of a dormant riverboat license in East Dubuque, which is expected to go to northwest suburban Rosemont.

It also would have used revenues from the new gambling operation to help prop up the state's ailing horse-racing industry and finance tax breaks sought by Arlington owner Richard Duchossois to reopen his racetrack.

And it would have ended the current requirement that riverboat casinos cruise, allowing nonstop, 24-hour gambling at all 10 of the state's gambling facilities, subject to approval by the Illinois Gaming Board.

Lobbyists on both sides of the issue flocked to the Senate on Monday after the House on Friday voted 62-52 in favor of the measure.

"I've been in this body a long time, almost 18 years, and I've never seen anything like this," said Sen. William Shaw (D-Dolton), who tried to make an issue out of the proposed tax breaks for the controversial Duchossois' Arlington Heights racetrack.

"Can you name me some other citizen we have done this for, at the rate we are doing this, for a person who already is a millionaire?" he asked. "This is unconscionable."

Jones warned that provisions calling for a guaranteed percentage of casino ownership by minority and female investors was unconstitutional and threatened the legality of the entire package.

And he made another plea for a minority-owned casino on the South Side or in the south suburbs to help revitalize impoverished

communities. He criticized the package's supporters for not saying flatly that the casino would be located in Rosemont.

"When you serve in this body for a long time and you can read that which is not spoken ... then if this bill becomes law, [the decision to locate in Rosemont] has already been made," Jones said. "A blind man—Ray Charles—can already see that."

But Jones said after the vote he still believed a bill could pass this session.

And though Republican Sen. Doris Karpel of Carol Stream voted for the measure Monday in the Senate Executive Committee, she contended that the legislation does not give state gaming regulators enough say in where the transferred gambling operation would wind up.

The legislation calls for the Gaming Board to merely ratify the location of the East Dubuque license to a community that would ask for it, presumably Rosemont.

Immediately after the Senate panel endorsed the measure, a flood of pro-gambling lobbyists huddled underneath the Abraham Lincoln statue on the second floor of Capitol rotunda, figuring out latest vote totals in the full Senate.

Meanwhile, religious leaders worked the dark, red-carpeted hallways on both sides of the Senate chambers, asking doormen to summon lawmakers from the floor to urge them to oppose the proposal.

"Gambling is corrupt, and this is a corrupt bill," said Rev. Tom Gray, a Methodist minister from Hanover, and the executive director of National Coalition Against Gambling Expansion.

Throughout the day, supporters and opponents each claimed they held the upper hand. But until the final Senate vote, no one was sure.

The gambling legislation would set up a \$67 million aid package for the state's horse-racing industry, especially to assist Arlington.

About \$37 million would come from a variety of racing tax breaks and other perks, while \$30 million generated by the Rosemont casino would be split among racetrack owners and horse breeders.

Analysts estimated Arlington would reap about \$6 million and save an additional \$4 million in tax breaks each year.

Though legislative proponents contend the Rosemont casino would result in the state making \$29 million more a year, not all of the forecasts are upbeat. Overall, the Economic and Fiscal Commission, the legislature's financial arm, has estimated the proposal will cost the state \$14 million.

Tribune staff writer Michelle Brutlag contributed to this report.



AP photo

Dick Thomas of Naperville (left) and fellow opponents of the expansion of gambling in Illinois press their point Monday in Springfield.

Casino investors had Ryan's ear

Group has donated heavily to Democrats

BY DAVE MCKINNEY
SUN-TIMES SPRINGFIELD BUREAU

SPRINGFIELD—A Democratic-leaning investment group led by prominent Chicago banker Eugene Heytow and Waste Management Inc. founder Donald Flynn has quietly emerged as a big winner in newly passed gambling legislation.

The group and 15 others hold title to the dormant Silver Eagle casino, which could be transformed from a riverboat industry doormat to the most profitable casino in the state if it locates in Rosemont.

The group, H.P. Inc., has broad political clout, donating a collective \$174,000 to political campaigns since mid-1994, state campaign records show.

The largest single beneficiary of their largesse was Gov. Ryan, who received \$29,450. But the group also contributed heavily to House Speaker Michael Madigan (D-Chicago) and other Democratic officeholders, state campaign records show.

"They hit the jackpot. The trade-off is these are Democratic people. What you have is a Democratic boat in Rosemont with the money going to the Democrats," said the Rev. Tom Grey, an anti-gambling activist.

During gambling talks in Springfield, the group was represented by a close friend of Gov. Ryan's, lobbyist Tony Leone, and benefitted from language in the bill giving

H.P. broad latitude to relocate to the host community of its choice, subject to Illinois Gaming Board approval.

The company has made past overtures to locate in Rosemont, where some projections have shown a riverboat could generate up to \$400 million in annual revenues.

Flynn, a majority owner of the Blue Chip Casino in Michigan City, Ind., is the largest owner of H.P. He maintains a 44 percent stake in the Silver Eagle's Chicago-based corporate parent, H.P. Inc., according to an industry source.

Heytow, the chairman of Amalgamated Bank in Chicago, owns a 22 percent stake in H.P.

Chicago lawyer Peer Pedersen and Donna Ring, the widow of one of Mayor Daley's top fund-raisers, Leonard Ring, each own a 6.11 percent stake in H.P.

Other H.P. investors and their ownership stakes include Amalgamated President Robert Wrobel, Heytow's former son-in-law (.6 percent); Richard Rieser Jr., an official of Oak Brook Bank (.32 percent); Bruce Wechsler (2.2 percent); Helmut Fruedenthaler (.28 percent); insurance executive Russell Steger of Winnetka, a former University of Illinois football star (.69 percent); David Meltzer, owner of Evans Furs (.46 percent); Richard Forsythe (2.3 percent); Lake County Judge Anne O'Laughlin Scott (2.3 percent); investors Howard Warren (4.6 percent), Cynthia B. Hirsch of Chicago (.46 percent) and Dr. Jeff Morris (2.3 percent); Joseph Duellman (1.6 percent), and Barton Love (2.3 percent).

H.P. officials did not return repeated phone calls. Neither Flynn, Pedersen nor Heytow could be reached.

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(Indicate page, name of newspaper, city and state.)

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Reversal of fortune

Senate leaders 'Pate'
Philip and Emil
Jones were winners
as the gambling bill
was revived, setting
up a riverboat for Cook County and horse
racing's return to Arlington International.



Philip



Jones

By Rick Pearson and Ray Long
TRIBUNE STAFF WRITERS

SPRINGFIELD—After a night of deal-making, the Illinois Senate reversed itself Tuesday and sent Gov. George Ryan a comprehensive package to bring a casino to Rosemont, return the horses to Arlington International Racecourse and allow nonstop gambling at permanently docked riverboats.

A day after deadlocking 29-29, the Senate voted 31-27 on a House-passed bill that makes the biggest changes in state gambling law since riverboat gambling was authorized in 1990. Ryan has indicated he would sign the measure into law.

After the vote, Rosemont

Mayor Donald Stephens emerged from House Speaker Michael Madigan's leadership offices and said the bill was "good news for all of the state."

Arlington owner Richard Duchossois, who appeared in Springfield for the final vote, said he looked forward to the "opportunity to once again help make Illinois horse racing a competitive force both in the U.S. and the world as we enter the new millennium."

The deal clears the way for a group of riverboat investors—some with political ties to Chicago Mayor Richard Daley—to move their shuttered East Dubuque operation to Rosemont.

And by approving dockside

SEE GAMBLE, PAGE 16

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"Reversal of fortune"

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DONALD STEVENS
-Mayor of Rosemont

ARTHUR BERMAN
RICKEY HENDON
EMIL JONES
WILLIAM SHAW
DONNE TROTTER

-Illionois State Senators

HOW THE ILLINOIS SENATE VOTED:

14 REPUBLICANS VOTED YES

Cronin, Dillard, Dudycz, Fawell, Geo-Karis, Wendell Jones, Karpiel, Maitland, Parker, Peterson, Philip, Thomas Walsh, Watson, Weaver

17 REPUBLICANS VOTED NO

Bomke, Burzynski, Donahue, Hawkinson, Lauzen, Luechtefeld, Robert Madigan, Mahar, Myers, Noland, O'Malley, Petka, Radogno, Rauschenberger, Sieben, Sullivan, Syverson

17 DEMOCRATS VOTED YES

Berman, Bowles, Clayborne, Culbertson, DeLeo, Hendon, Jacobs, Emil Jones, Lightford, Molaro, Munoz, O'Daniel, Rea, Shaw, Trotter, Viverito, Lawrence Walsh

10 DEMOCRATS VOTED NO

Del Valle, Demuzio, Halvorson, Link, Lisa Madigan, Obama, Shaddid, Silverstein, Smith, Welch

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Gamble

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THE DEAL

- Cook County is open to riverboat gambling. It had been the only Illinois county specifically excluded.
- The license issued to the operators of the Silver Eagle riverboat in East Dubuque can move, probably to Rosemont.
- Ownership of a new casino must be at least 16 percent minority and 4 percent female.
- Riverboats no longer have to cruise.
- The horse-racing industry gets \$37 million a year from tax breaks and other perks and \$30 million from revenues derived from the Rosemont casino, to be split among track owners and horse owners.
- Cook County's criminal justice system gets \$4.1 million a year, as does a fund for university construction.
- In a separate bill, poor cities net \$6 million a year for five years in state money.

gambling, the bill is expected to help rejuvenate the struggling Casino Rock Island, a boat Sen. Denny Jacobs (D-East Moline) has tried to help since Iowa loosened gambling laws in 1994 and stiffened competition.

"It's been a long, hard trek," Jacobs said. "Finally, we've gotten to where we can go on a level playing field and save our boat in Rock Island. I don't think we could have saved our boat if this had not happened."

In his private office, Republican Senate President James "Pate" Philip passed out victory cigars.

Despite the jubilation, the anti-casino lobby vowed there will be a political price to pay.

"Our legislators didn't vote their conscience," said Rev. Tom Grey, a Methodist minister from Hanover and the executive director of the National Coalition Against Gambling Expansion. "They didn't vote for their constituents. . . . It appears that they voted for [campaign] cash."

The bill lifts the ban on riverboat gambling in Cook County, which had been excluded under the original law. In addition, the horse-racing industry will receive a multimillion-dollar windfall through tax breaks and proceeds from the Rosemont boat.

After the bill's stunning rejection Monday night, when a Downstate Democratic lawmaker left the Senate floor and had her "yes" vote struck from the roll call, pro-gambling lobbyists immediately went to work.

In the end, an opposition bloc of minority legislators, led by Senate Democratic leader Emil Jones of Chicago, agreed to a deal to put \$6 million a year in the state budget to help impoverished communities and authorize a study of minority and female investment in casino ownership in exchange for passing the package.

Helping to lift Jones' opposition was a lobbying effort orchestrated by Stephens, who enlisted Cook County Board President John Stroger.

'Our legislators didn't vote their conscience. They didn't vote for their constituents. . . . It appears that they voted for [campaign] cash.'

Rev. Tom Grey of the Coalition Against Gambling Expansion

Stroger, who would get \$4.1 million from the new casino for the county's criminal justice system, dispatched chief of staff Orlando Jones, major contributor and developer Tony Rezko and wealthy south suburban auto dealer Al Johnson, a top confidant of former Mayors Harold Washington and Eugene Sawyer, to lobby Jones.

Jones, who has long favored a minority-owned boat for the South Side or south suburbs, had complained that a casino in booming Rosemont would do little for economically depressed communities.

But he ultimately agreed to support the package after lobbyists persuaded top lawmakers and Ryan to give \$30 million in Department of Commerce and Community Affairs grants over five years to poor communities

and require the Illinois Gaming Board to study minority and female casino ownership.

Sen. Donne Trotter (D-Chicago), who had opposed the bill as head of the Joint Legislative Black Caucus, also was persuaded to change his mind when Stroger's troops reminded him about his job as intergovernmental liaison for the Cook County Department of Public Health.

In total, four African-American Democratic senators—Jones, Trotter, Rickey Hendon of Chicago and William Shaw of Dolton—who voted against the bill on Monday ended up voting for it on Tuesday. Another Chicago Democrat, Sen. Arthur Berman, also switched his "no" vote after being lobbied by Daley and getting a promise that gambling funds for education would be protected from potential legislative raids.

Those five Democratic votes allowed some Republicans who had voted for the legislation on Monday to vote no Tuesday. They were Sens. Ed Petka of Plainfield, Judith Myers of Danville and Robert Madigan of Lincoln.

Sen. Dick Klemm (R-Crystal Lake) cast a "yes" vote Monday but did not vote Tuesday.

And Sen. Evelyn Bowles (D-Edwardsville) stayed in her seat and voted for the bill. On Monday night, her vote in favor of the bill was struck from the roll call when she walked out of the Senate chamber at the request of a member of Jones' leadership team, other senators were told.

"I never encouraged anyone to walk—I always tell them the best

thing to do is run," Jones said.

When it was over Tuesday, two of the biggest House proponents—Rep. Joel Brunsvold, a Democrat from Milan in the Quad Cities area, and Rep. Angelo "Skip" Saviano, a Republican from Elmwood Park and a Stephens ally—leaned over Jacobs' desk for a celebratory handshake.

Hours before the vote, lobbyists on both sides of the issue scurried through the hallways outside the Senate chamber, making a last-minute pitch for votes.

At one point Philip walked out of the Senate and almost collided with Stephens and his lobbying team.

Philip then led Stephens through the private door to his office behind the Senate chamber for a brief update. After the vote, Stephens thanked Philip and Jones and met briefly with Ryan in the governor's office before leaving the Statehouse.

With his wife at his side, Stephens walked down the Capitol's grand staircase to the governor's office and said "we've got the edge" on snagging the Cook County casino.

Stephens has signed up 71 Cook County suburbs to share in the local tax proceeds from a riverboat in Rosemont. But he brushed aside questions about the bill's provisions that virtually assure a boat would go to Rosemont.

"First of all, the community hasn't been named," Stephens said. "It's up to the Gaming Board. Naturally, we're going to seek to have the casino located in Rosemont."

But the legislation's wording makes it easy to move the license of the dormant Silver Eagle riverboat operation in East Dubuque to Rosemont. Another key provision could end a two-year-old legal dispute by allowing the Silver Eagle owners to keep their license even though the Illinois Gaming Board refused to renew it.

It is a stark turn of events for the owners of the Silver Eagle, who have been in danger of losing one of the state's 10 riverboat operating licenses ever since they shut their boat in 1997.

The group, known as H.P. Inc., is led by Donald Flynn, a former executive of Waste Management Co. Other leading investors include Peer Pedersen, a Chicago attorney, and Donna Ring, widow of Leonard Ring, once a prominent attorney and a fundraiser for Daley.

Another is Eugene Heytow, chairman of Amalgamated Trust & Savings Bank, and his son, Andrew, another bank official, as well as several Heytow business associates connected to the former McCormick Inn. The mayor's brother, U.S. Commerce Secretary William Daley, once served as the bank's president.

The boat is virtually assured to go to Rosemont because of a provision in the law that says the board must grant the renewal

application if the new community—in this case Rosemont—agrees to the proposal.

"We support the legislation," said Joe McQuaid, H.P.'s vice president.

Negotiators of the gambling deal said the proposal provides only a small window in which the Gaming Board could take the license from the Silver Eagle operators—between Tuesday and the day Ryan signs the bill into law.

The current owners also easily meet a provision in the legislation requiring 4 percent female ownership in a Rosemont boat. Less clear is whether they meet a requirement for 16 percent minority ownership.

Still, people who wanted a boat for their municipalities say the fight isn't over.

Real estate developer Alan Ludwig, who sought a riverboat for Waukegan, contended that the legislation was unfairly written to

favor Rosemont.

"It's so unfair," Ludwig said. "The way this thing was drafted, nobody is going to have an opportunity to apply for a license."

Calumet City Mayor Jerry Genova threatened a legal battle that could "tie this up for three to five years."

In turn, Saviano said the gambling proponents also may file a court case asking a judge to issue a declaratory judgment that the law is valid.

The stakes are huge, since a Rosemont casino "on a bad day will be as good as Elgin," said a gambling industry source who helped negotiate the bill. Elgin's Grand Victoria riverboat sets the industry standard in Illinois, raking in a monthly record of \$24 million from customers in April.

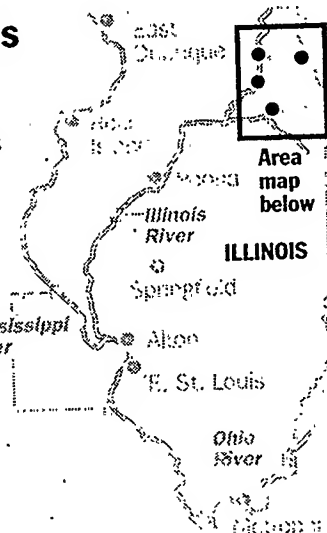
"Hopefully this will help keep Illinois dollars in Illinois," Ryan said. "That's really what it's about."

Riverboat gambling in Illinois

Illinois now has nine riverboat casinos operating, with four serving the Chicago area. The dormant license of the Silver Eagle in East Dubuque is expected to be transferred to northwest suburban Rosemont.

Other riverboat casinos in Illinois

- Silver Eagle (non-operational) E. Dubuque
- Casino Rock Island Rock Island
- Par-A-Dice Peoria
- Alton Belle Alton
- Casino Queen E. St. Louis
- Players Metropolis



Revenue of Chicago-area riverboat casinos

The four riverboat casinos in the Chicago area generated about two-thirds of the adjusted gross receipts (money after paying winners) of riverboat casinos statewide in 1998.

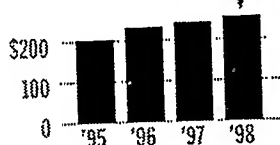


Total: \$1.1 billion

Chicago-area casinos: \$729,163,074

Scale in millions of dollars:

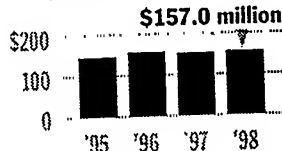
1 Grand Victoria, Elgin \$256.3 million



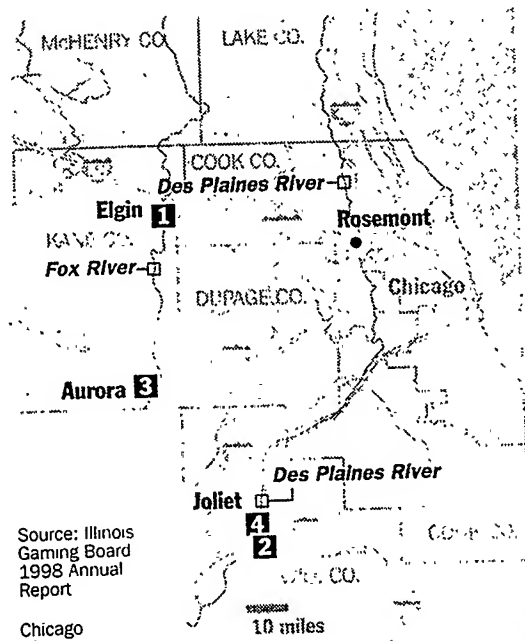
2 Harrah's, Joliet \$162.3 million



3 Hollywood Casino, Aurora \$157.0 million



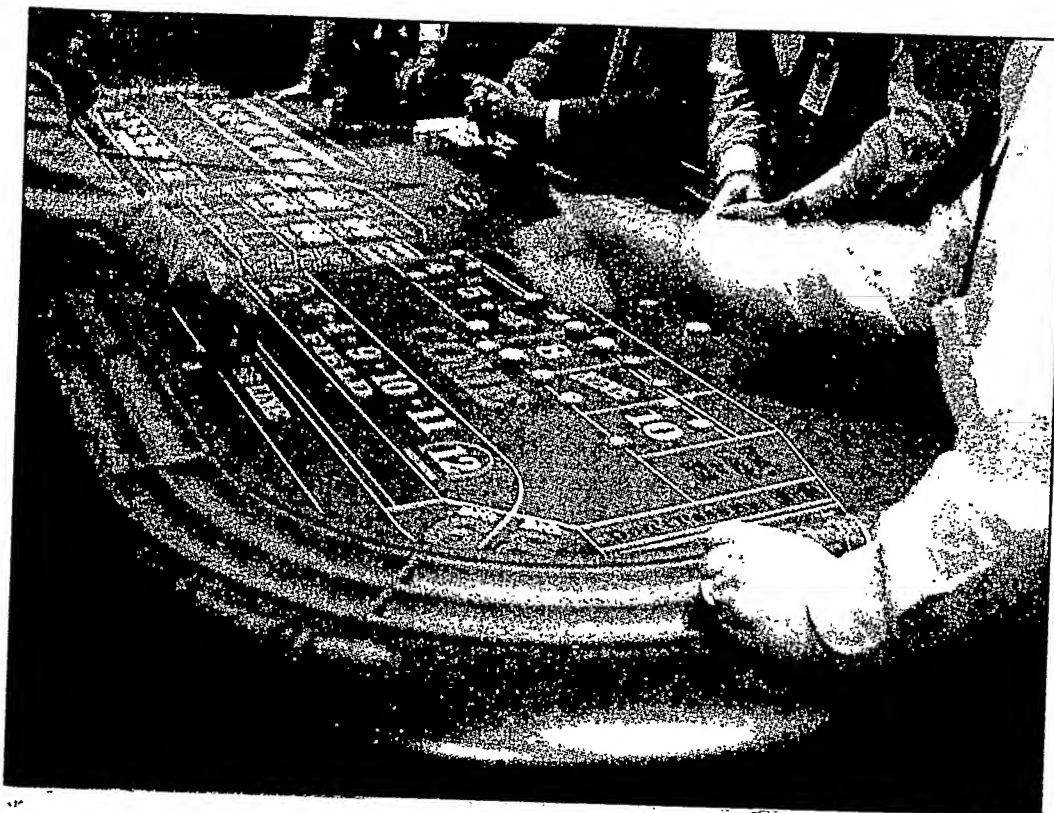
4 Empress, Joliet \$153.6 million



Source: Illinois Gaming Board 1998 Annual Report

Chicago Tribune

10 miles



The Grand Victoria riverboat in Elgin could face competition from a casino in Rosemont. Tribune photo by George Thompson

WINNERS

Rosemont Mayor Donald Stephens ►

He muscled through legislation that virtually assures Rosemont will get the new riverboat casino.



Arlington International Racecourse owner Dick Duchossois

The track is expected to reopen and receive a multimillion-dollar windfall.

Chicago Tribune

LOSERS

Elgin and Aurora ►

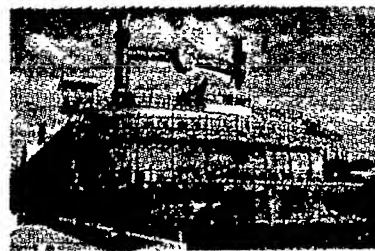
A Rosemont boat is expected to siphon bettors and revenues from these existing boats.

Spurned suitors

Groups in Fox Lake, Waukegan, Rockford, Calumet City and other cities see their hopes of a casino evaporate.

The state

The Economic and Fiscal Commission concludes Illinois will lose \$14 million during the boat's first year of operation.



The Grand Victoria Riverboat in Elgin

(Mount Clipping in Space Below)

Donations helped float casino bill

2 years of contributions traced

By Ray Long
TRIBUNE STAFF WRITER

SPRINGFIELD—Proponents of riverboat gambling and horse racing pumped \$1 million during the last two years into the campaign funds of state legislators who voted for the sweeping legislative package that squeaked through the General Assembly last month, a new study shows.

The money is more than 10 times the \$83,460 that pro-gambling interests gave to lawmakers who later voted against the gambling package.

"When all that money gets to pushing in the same direction, the anti-gambling people get buried," said Kent Redfield, a professor at the University of Illinois at Springfield who conducted the study.

Redfield tallied pro-gambling contributions from 1997 and 1998 made by individuals and corporations with direct financial ties to racetracks or riverboats. He included contributions that could be linked to people or organizations trying to lure a riverboat license, such as Rosemont Mayor Donald Stephens.

Those contributions were

compared with the roll calls of the legislative votes that led to the package's passage in late May.

The findings represent what Redfield considers a dramatic example of how gambling advocates can try to gain influence through the use of campaign cash. A big donation "gets you access and attention and meetings set up and phone calls returned and bills introduced," Redfield said.

A state ban on campaign contributions from gambling interests was lifted in 1990, the same year riverboat gambling was approved by the General Assembly.

Before lawmakers finished their spring session May 27, they passed legislation to let the dormant East Dubuque riverboat license move to Rosemont, help Arlington International Racecourse reopen and authorize all of Illinois' gaming boats to stay docked around the clock. Projections show the horse racing industry would get nearly \$40 million a year from tax breaks and other perks as well as about \$30 million from a boat

SEE CASINO, PAGE 2

(Indicate page, name of newspaper, city and state.)

THE CHICAGO TRIBUNE

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Casino

CONTINUED FROM PAGE 1

in Rosemont.

Thom Serafin, who served as Arlington's spokesman as the gambling package came together, said the campaign money did not influence the vote. "At the end of it all, the legislator has to make the decision on the legislation," Serafin said.

But many who benefit from the bill gave big money to the legislators who later voted for the package. Overall, Redfield's study showed that candidates who sought Illinois House, Senate and statewide offices in 1998 received more than \$1.8 million in pro-gambling donations in the last two years.

The horse racing industry gave about \$909,000, the riverboat industry about \$699,000 and parties trying to attract a boat license pitched in \$225,000.

The biggest benefactor was Republican Gov. George Ryan, who raked in \$385,584. The state Republican Party collected about \$111,000, and the state Democratic Party received about \$59,000.

Ryan is expected to sign the gambling bill. He changed his campaign position opposing a floating casino in Cook County, providing much-needed momentum to the proposal.

The biggest donor was the family of Arlington owner Richard Duchossois and family-related business interests, giving \$632,818 to various candidates.

Donations linked to Stephens, mostly from his political committee, totaled \$152,150.

People and businesses linked to the Joliet Empress casino gave \$284,400, highest among the riverboats, Redfield said.

In the General Assembly, most of the money went to campaign committees controlled by the four legislative leaders, all of whom supported the gambling package.

House Minority Leader Lee Daniels (R-Elmhurst) pulled in \$311,735, and Senate President James "Pate" Philip (R-Wood Dale) received \$257,025. House

Speaker Michael Madigan (D-Chicago) collected \$123,300, and Senate Minority Leader Emil Jones (D-Chicago) received \$57,400.

Daniels' spokesman Gregg Durham dismissed the notion of a direct tie between legislative votes and campaign contributors, noting that more House Democrats than Republicans voted for the bill.

"My guess is they spend money on legislators who have a tendency to think their way and not donate to people who have a tendency to not think their way," Durham said.

Overall, House lawmakers who voted for the gambling package received \$607,158 from gambling proponents—about 20 times as much as their colleagues who voted against the bill.

Rep. Art Turner (D-Chicago), who collected \$5,500 from gambling advocates but still voted "no," said pro-gambling forces had the money to pay lobbyists to make their pitch over and over. "In many cases, it's the repetitiveness of the message that will influence how a member votes," Turner said.

Twenty-six of 52 House lawmakers who voted against the package received at least \$250 from gambling proponents.

Twenty-six opponents also received no pro-gambling cash. Only eight of 62 representatives voting for the package received no money, including some lawmakers who supported the bill in exchange for a promise of future support for a gay-rights bill.

In the Senate, 30 of 31 senators who voted for the bill when it passed received contributions from gambling proponents. The only senator who voted for the measure and did not get gambling money for a legislative campaign in 1997 or 1998 was Wendell Jones (R-Palatine), who did not become a senator until last November.

Pro-gambling contributors gave Philip, Emil Jones and all other senators who supported the bill \$400,825—nearly eight times as much as the Senate opponents.

The 27 senators who voted "no" received a total of \$52,210 from gambling proponents. Seven of those received no pro-gambling dollars.



Family's janitorial ties to Daley ought to be cleaned up

If you want to know how Mayor Richard M. Daley runs Chicago, get a copy of Sunday's Tribune and read the front page.

Everyone who cares about Chicago should read the story by reporters Andrew Martin, Laurie Cohen and Ray Gibson.

Because their story tells you how Chicago works. It comes down to this:

Law-and-order Mayor Daley has given \$100 million of your tax dollars in city contracts to a family loaded with Mafia connections, from Chicago to New York to Florida.

The \$100 million went to the Duff family. The Duffs run Windy City Maintenance and other janitorial businesses that clean government buildings. The businesses are supposed to be run by an elderly grandmother.

But the story shows the bosses of the cleaning business are actually the Duff men, led by their patriarch, John Duff Jr. He's Daley's pal.

The Duffs have also bragged about their connections to the Outfit, and bosses like Rocco Infelice and the late Anthony Spilotro and Frank "Fil" Buccieri, not to mention the late Tony Accardo.

And the Duffs were also recently under federal investigation in Florida, suspected of running a gambling operation with New York's Gambino crime family.

One of the Duff sons allegedly threatened to use Outfit muscle to kill a police officer who arrested him for picking up prostitutes in Florida. He promised to keep the officer alive long enough to see him kill that officer's wife and children one by one.

According to the police officer in his official police report, John Duff III, 47, was angry that the cop put handcuffs on him.

"[Duff] stated that if I did not remove his handcuffs immediately and let him go, he was going to find this officer and my family and kill them one by one while this officer watched,"

according to the police report.

"[Duff] stated to officer that I better listen to what he was saying because he has connections with organized crime in Chicago," the report said.

These choice snippets from the officer's report were not included in

Sunday's story, but I thought you would want the full flavor of the people who kiss Daley's hand.

The mayor gave personal orders . . . to make sure the Duffs got to wet their beaks.

John Duff III has never been convicted, even though he has been arrested nine times. He wasn't convicted of threatening to kill the police officer either. Instead, he took an anger management class. The case was dismissed, like magic.

And that federal gambling investigation magically collapsed too. It seems the lead FBI agent on the case helped kill the investigation when it turned out he had a gambling problem. The agent went to prison and no one else was charged.

The Duffs must be wizards. In fairness, of the four Duff men, only two have police records. The other two are probably altar boys.

Shortly after Daley got elected a decade ago, the Duffs went into business. The mayor gave personal orders to his people to make sure the Duffs got to wet their beaks.

One official was the late Kathy Osterman, who ran the Department of Special Events under Daley. Her widower, Bruce DuMont, says the mayor personally told her to take care of the Duffs.

"... There were certain people who were recommended to her by Daley that she should do business with," DuMont was quoted as saying. "The Duffs were among the coterie of people she was supposed to do business with. . . . My impression . . . was that the mayor and Mr. Duff were longtime friends."

DuMont is president of the Museum of Broadcast Communications located in the Chicago Cultural Center. He's got a national political talk radio show and is one of the most respected reporters in the country.

Does Daley have the guts to stand up personally and call DuMont a liar? I don't think so.

Because of Daley's help, the Duffs got contracts to clean O'Hare Airport, McCormick Place and to clean up after the Taste of Chicago.

Ooops. I almost forgot other city contracts. Like the one to clean the 911 Center, where all sorts of sensitive law enforcement information is gathered; and other Police Department buildings too. Not bad for a family with mob ties.

As political pals, the Duffs throw fundraisers for Daley, and he attends their parties—including one campaign brunch where Daley put his arm around one of the Duffs with a clean police record, and walked from table to table, saying hello to his supporters.

The table walk was Daley's message. And everybody in Chicago politics got it. I asked some political players how long it took to send that message across the state.

"How long does it take to pick up a cell phone?" said one guy who understands the connections between the Outfit and Chicago politics. "Daley was waving his flag, saying, 'These are my guys.' Everybody got it."

This week, we'll see if Daley plays dumb. We'll also see how other news organizations in town react to the story. We'll see who wants to be the mayor's puppy.

Daley is the former state's attorney who brags about his intimate knowledge of organized crime figures and Outfit ways. His friends sure do have intimate knowledge, too.

And it only cost you \$100 million.

John



Mayor in sand trap over long-planned Duff-Daley golf outing

Hey Chicago, grab your golf bags. There's a big party coming up. And you won't want to miss it.

The Men of the Year labor union golf outing is scheduled for Sept. 10 at the Bloomingdale Golf Club. It will honor two of Chicago's prominent families—who now pretend they don't know each other.

The Daleys and the Duffs.

Daley spent all last week screeching that he doesn't know the Duffs. Now, it turns out, this party has been planned for weeks.

I've never golfed in my life, but I'm going. I've got an invitation, and the event has been confirmed by the golf club and sponsoring unions.

Guess who the Men of the Year are this year?

Mayor Richard Daley's little brother, John Daley, the Cook County Commissioner. And Pat Duff, president of Distillery Workers Local No. 8.

Just imagine John Daley, the son-in-law of the late Loop gambling boss Louie Briatta, standing next to Pat Duff, whose family members boast of ties to mobsters like Rocco Infelice, the late Fifi Buccieri and the extremely late Big Tuna.

I sure hope they're joking about those "shot-gun tee-offs."

"Oh God, you know about the Duff-Daley golf outing?" a top labor guy asked me while the mayor was denying he knows the Duffs. "Great timing, isn't it?"

I asked whether union bosses would dare plan the event honoring John Daley and Pat Duff without first getting approval from Little Big Man himself.

"Of course not. But this was before that stuff about the Duffs and the mayor hit in your paper," the labor official said. "If they go ahead with it, it'll look stupid. If they cancel it, they'll look like they're hiding something. You're enjoying this, right?"

Me? Oh, no.

Mayor Daley should show up to support his brother. And U.S. Commerce Secretary William Daley, who also knows the Duffs, should play too.

Daley made sure his pals the Duffs wet their beaks with \$100 million of your money in kinky city contracts that were given to phony minority front companies. Now the mayor says he doesn't know them.

"I don't know them personally. I don't," Daley said as he laughed off the Tribune investigation during a radio interview. "I know a lot of people as mayor, just walking into this room, I met five, six people."

Hey, Rich, you might want to change your story.

The Daley-Duff golf outing is being put on by the Greater Chicago and Vicinity Port Council Maritime Trades. The organization is run by John Phelan, also the boss of the building engineers. I called Phelan's office to ask if I could sponsor a few holes.

"That would be nice," said a woman on the phone. "We'll have somebody call you on Monday morning. What's your name again?"

While we're waiting for the call, why don't we dream up sponsorships just for fantasy's sake—to make the Daley-Duff golf outing a memorable event.

We can name the first hole after mob boss Joey "The Clown" Lombardo and hire a few real clowns to make with the jokes. Christy "The Nose" Spina—the city's Department of Tony foreman and the Clown's chauffeur—can hand out fake Cuban cigars, like he did at his wedding.

And what about another hole, "The Grzyb Grabber" for the guy who handles all the city contracts, City Purchasing Agent Al Grzyb. He can stand there with his good friend, former Streets and San boss Eileen Carey.

If you get a hole in one, Grzyb will deliver a smashed-up black city Caprice to your door by 7 a.m. the next day. But the contract for the city car will disappear, just like the Duffs' contracts.

Lawyer Sam Banks and his brother, Ald. William Banks (36th), could host another hole, serving prosciutto and provolone sandwiches. But don't worry about leaving a mess on the putting green. Sam will have a dozen judges on their hands and knees, picking up the crumbs.

Another hole could be "The Bill Hanhardt Hole," for the former chief of detectives now under investigation by the feds. If you keep expensive jewelry in your golf bags, your stuff will disappear. Later, you can ask the clowns about your missing diamonds.

No big golf outing would be complete without a few hours of big gambling after the big dinner.

Imagine Department of Tony deputy commissioner Nello Sabatini, mayoral counselor Tim Degnan, James "Skinny" Sheahan—brother of Cook County Sheriff Mike Sheahan—and Tony Pucillo himself running the card tables and dice games for us.

You might even hear Al Grzyb or trucking boss Mike Tadin shout, "Baby needs a new pair of shoes." If you're lucky, you can haul your winnings home in a Waste Management Blue Bag.

For further information on the golf outing, call the Maritime Trades at 312-372-1466. But hurry; you've only got until Aug. 15 to make reservations. Don't forget your cameras.

The worst that could happen is they get shy and cancel. But mayoral strategist Jeremiah Joyce could reschedule the event in discreet O'Brien, Mich.—a quiet town known to most people as New Buffalo.

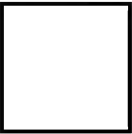
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Rosemont mayor gave to Daley fund

Chicago Sun-Times

Tuesday, August 3, 1999

METRO

BY SCOTT FORNEK
POLITICAL REPORTER

Rosemont Mayor Donald Stephens is a suburban Republican and Mayor Daley a Chicago Democrat, but campaign reports filed Monday show such differences didn't stop Stephens from sweetening Daley's political kitty with \$15,000.

Stephens wrote the check from one of his political funds in April for a fund-raiser he held at his home for Daley, an event at which other Stephens supporters kicked in at least \$17,500.

The event came about six weeks before the legislature voted to approve a riverboat casino license that is expected to go to north suburban Rosemont, a move that Daley eventually supported.

"He bought Daley," said the Rev. Tom Grey, executive director of the National Coalition Against Gambling Expansion.

"What he needed Daley for was to put the votes on," Grey said. "Why would Daley let a boat come

into Rosemont unless there was something in it for him? ... The money was the opener for Stephens that said 'Hey, I want to play.'"

Stephens could not be reached for comment, but a Daley spokeswoman insisted it was not the contributions that prompted the mayor to drop his opposition to Rosemont getting the boat.

"Yes, they did have dinner," said Jacquelyn Heard, Daley's press secretary. "Yes, the mayor did later say he was unopposed to the idea of gambling in Rosemont if that's what Don Stephens and his citizens in Rosemont want. But one develop-

ment does not have any connection to the other."

In addition, O.G. Services Corp. of Rosemont contributed \$10,000, Rosemont Exposition Services gave \$5,000 and Gurtz Electric Co. of Arlington Heights contributed \$2,500. All three firms have been big Stephens backers.

The peek at the bipartisan sharing of the wealth came in campaign finance reports covering the first six months of the year.

Daley's filing showed he boosted his war chest by \$2.9 million during the period, spent \$3.4 million and had nearly \$2.6 million in the bank July 1. His biggest donor was commodities broker Richard Dennis, who contributed \$50,000.

Daley's rival in the Feb. 23 election, Democratic congressman Bobby Rush, raised \$128,925, spent \$169,320 and had \$577 left in the bank.

Former City Treasurer Miriam Santos, who was sentenced to 40 months in prison for corruption last week, raised \$152,719—including a \$110,000 transfer from her attorney general campaign fund—spent \$250,271 and had \$129 left.

CTA official Dorothy Brown, who ran against Santos, raised \$118,124, spent \$117,088 and had \$2,117 left.

In statewide filings, Illinois Attorney General Jim Ryan raised \$450,465, spent \$156,445 and had \$350,117 left. Secretary of State Jesse White raised \$745,674, spent \$357,848 and had \$387,825 on hand.



Q

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Casino, liquor money flowing to campaigns

Chicago Tribune, Tuesday, August 3, 1999 Section 2

Daley fund gets boost from Rosemont mayor

By Ray Gibson
and Ray Long

TRIBUNE STAFF WRITERS

Gambling and liquor interests, two of the biggest players this spring in the General Assembly, opened their checkbooks for political candidates across the state, campaign finance reports filed Monday show.

Even Chicago Mayor Richard M. Daley, who said he was neutral in the push to bring a riverboat casino to Rosemont, was the recipient of donations from those involved in the legislative battles.

In one fundraiser for Daley organized by the Duffs—a con-

troversial family with crime syndicate ties and whose firms have received \$100 million in government contracts since Daley took office—the liquor industry and others donated nearly \$39,000, reports filed Monday indicate.

And Rosemont Mayor Donald Stephens, the Republican who pushed through the gambling bill that gives his town a casino, helped organize a Daley fundraiser in April that netted the Daley campaign fund at least \$48,000. The gambling bill also provides tax breaks for state racetracks, allowing Arlington International Racecourse to reopen for horse racing.

Monday was the deadline for most state and local candidates to file campaign finance reports, which cover the first six months

SEE CAMPAIGNS, PAGE 4

Campaigns

CONTINUED FROM PAGE 1

of 1999.

Gary Mack, a spokesman for Stephens, said the donations to the Daley campaign fund weren't related to Stephens' efforts to win riverboat gambling rights for his town in the legislative deal he helped orchestrate.

"They have truly been friends for a long time," Mack said.

Stephens, using a political fund he controls, has crossed party lines to donate to Democrats in the past. The April event, in Rosemont, was a virtual Who's Who of Rosemont contractors and vendors. In addition, Stephens donated \$15,000 from one of his own political funds to Daley.

Campaign reports filed Monday show Daley wasn't the only recipient of Stephens' largess. Stephens donated another \$62,000 to various candidates across the state. Those donations included \$35,000 to Illinois Atty. Gen. Jim Ryan; \$15,000 to Senate President James "Pate" Philip; and \$6,800 to nine other legislators.

Meanwhile, the liquor industry and gambling interests were donating to everyone from Gov. George Ryan to local legislators.

This spring's legislative session saw the General Assembly raise taxes on liquor as well as pass a bill that prevented liquor suppliers from arbitrarily canceling contracts to supply certain liquor brands to distributors in the state. The bill also affected soft drink distributors.

Chicago Blackhawks owner William Wirtz, whose Judge & Dolph Inc. liquor distribution company is one of the largest such firms in the state, was one of the chief proponents of the bill.

Wirtz's Chicago Stadium Corp. donated \$2,000 to George Ryan's campaign. Wirtz also donated \$11,500 to Daley. Several of the lobbyists involved in the Wirtz legislation also donated to the governor, and Gov. Ryan also received \$6,000 in donations from Arlington.

Philip, a Wood Dale Republican, was also a recipient of donations from the liquor and gambling interests. One of his campaign funds reported receiving \$20,000 from various soft drink and liquor industry funds, including \$10,000 from the Illinois Soft Drink political action committee.

Various riverboat owners and casinos also donated about \$33,000 to Philip's campaign fund.

House Speaker Michael Madigan (D-Chicago) reported that one of his committees received \$5,000 from the Illinois Soft Drink political action committee and \$2,000 from Anheuser-Busch Companies Inc. the St. Louis beermaker.

House minority leader Lee Daniels (R-Elmhurst) reported two of his political funds received \$8,700 from liquor, beer and soft drink interests and \$9,500 from riverboats and Arlington.

Two of the political funds of Senate minority leader Emil Jones (D-Chicago) received \$20,000 from Wirtz's Judge & Dolph, a soft drink group, a beer political action committee and a liquor supplier.

The fundraiser for Daley that was organized by the Duffs was held on Feb. 4 at a Chicago restaurant. The mayor's political fund paid \$7,343 toward the cost of the fundraiser, according to campaign reports.

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Silver Eagle bets on Rosemont

Casino poised to become county's first

BY GARY WISBY
STAFF REPORTER

A nearly deserted industrial area in Rosemont, dotted with empty commercial buildings and overgrown lots, will give way to a gambling mecca, according to plans presented Tuesday to the Illinois Gaming Board.

Casino-operator H.P. Inc., which operated the Silver Eagle in East Dubuque until 1996, gave the board official notice that it will operate the first casino in Cook County by moving to the suburb near O'Hare Airport.

The move has been expected since lawmakers passed legislation allowing the company to move to a more lucrative market.

Rosemont spokesman Gary Mack said Mayor Donald Stephens "is pleased that H.P. has come along this far and looks forward to working with them as the project comes to fruition."

Mack said the site—35 acres east of Interstate 294, south of Bryn Mawr, north of Balmoral and west of a large parking garage—is largely vacant. What buildings remain in the area are or will be condemned soon.

"It looks sort of abandoned, al-

most," he said.

It is in close proximity to 5,000 hotel rooms, Mack said.

Michael Ficaro, an attorney for the Michigan City, Ind.-based casino operator, declined to share details about the project with reporters "until we present a formal package." The casino, which will be built on a barge in a man-made pool, is expected to operate 22 hours a day, like the state's other casinos.

A sketch of the site submitted to the Gaming Board labels large buildings bordering the casino only as a "future retail development." A Regal Cinemas multiplex movie theater already has been announced for the north side of the site.

Anti-gambling activists contend that H.P. lost its riverboat license in 1997 after it closed the Silver Eagle in the face of competing Iowa boats.

Roger H. Kelly, attorney for the National Coalition Against Gambling Expansion, noted that an administrative law judge, with support from a Gaming Board attorney, recommended in March that H.P. be stripped of its license for failing to operate a casino.

But Ficaro said the General As-

sembly rendered all previous actions against H.P. moot when it gave the company permission to move.

One of the few businesses left on the Rosemont site is Inacom, which rents computers to businesses. Branch manager Mike Link, 50, said he's known since last year the firm would have to relocate by December at the latest.

Pointing to the six-story parking garage nearby, Link said, "You think that this is an accident?"

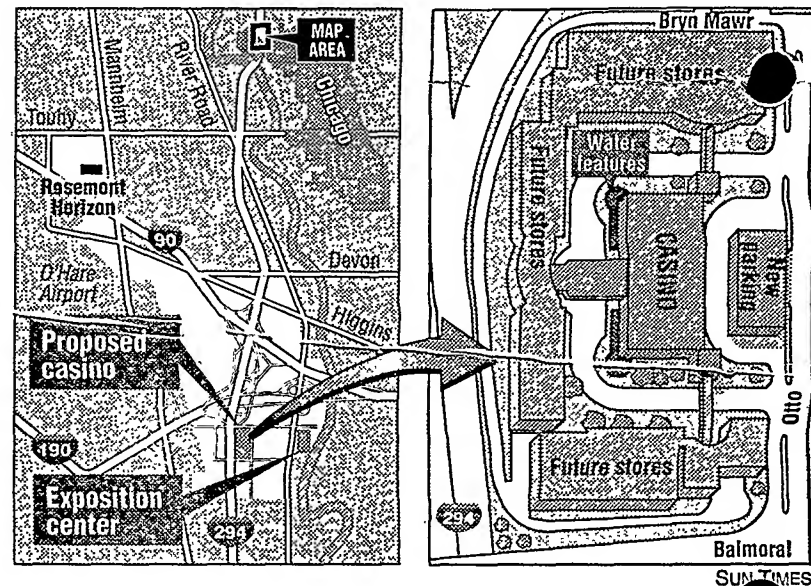
The company will move to Schiller Park, sales manager Kim Madison said.

In Rosemont's main residential area, some distance from the casino site, Sandi Schuster, 57, stood in her driveway and said the new facility is OK with her.

"All the hotels are over there. You have the Rosemont Theatre over there, and the convention center," she said. "If you're going to have a lot of traffic, it's probably best you keep it over there."

"And if it brings a lot more revenue into the village, I imagine it'll keep taxes down."

Developer John Buck Co. had been negotiating with Rosemont officials for nearly six months to



develop the site, planning a \$165 million mix of office buildings, stores, a hotel, health club and ice rink.

But the company lost interest when Rosemont officials said the site directly south would probably be occupied by the casino.

When Buck withdrew, that freed up the space for the casino development.

"We concluded that being adjacent to the casino would not make [the Buck project], a high-end retail development, viable," Buck

principal Greg Merdinger said.

"It's not attractive," he added. "Doing retail next to a gambling casino has never been done. In Las Vegas, it's been done. It doesn't compete with the likes of Michigan Avenue and Woodfield."

Buck had hoped to lure some of its tenants from North Bridge, now under construction in downtown Chicago, to the Rosemont venue, which it planned to call West Bridge.

Contributing: Robert C. Her-
guth

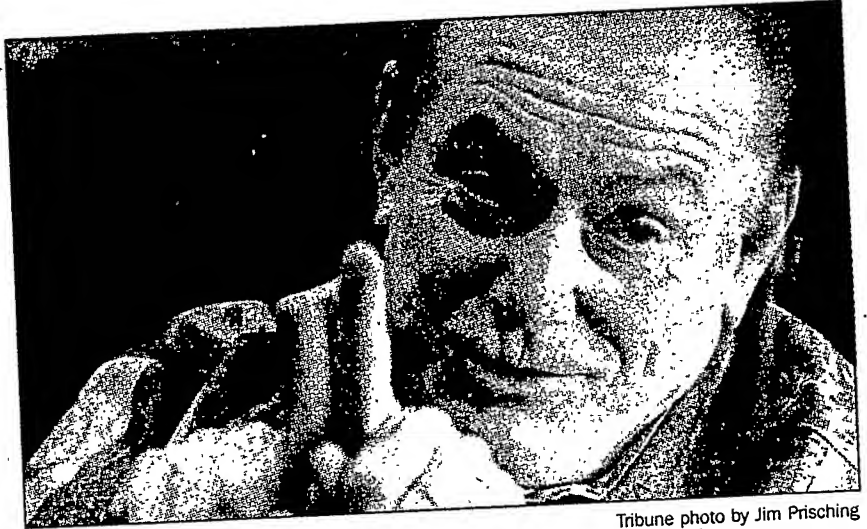
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ON THERECORD

By Rick Pearson
TRIBUNE POLITICAL WRITER

Donald Stephens Mayor of Rosemont

It used to be that when Springfield politicians spoke of "the mayor," there was no question they were discussing the political leader of Chicago. But now, such conversations often mean Donald Stephens, the father of Rosemont. At age 71 and after 43 years as head of the village he incorporated, Stephens is more clout heavy than ever. He wields a lot of power for the mayor of a village with more hotel rooms (4,760) than residents (about 4,300), thanks to his fund-raising skills and his ability to dispense major campaign donations. In May, after years of effort, Stephens won passage of a state law allowing HP Inc., the owners of a shuttered riverboat in East Dubuque, to transfer their operation and give Rosemont the first casino in Cook County. This interview took place Wednesday, one day after HP notified state regulators of its plans for Rosemont.



Tribune photo by Jim Prisching

Q: You founded Rosemont. You've been its only mayor. You have been orchestrating its development. You've got an arena, hotels, a convention center and theater. Why do you need a casino?

A: I think that the casino, with the hotels and the convention center, the whole thing dovetails together. Years ago, when Jim Thompson was governor, I went to him and said, "There should be casinos in Illinois. The casinos should be at the convention centers." They did just the opposite. My feeling was that you want the casinos in areas that you have tourism, where you're looking for additional entertainment for the conventioneer or trade-show guy, and they have the ability to spend the money. You're not milking the poor guy. That's what I was looking for.

SEE ON THERECORD, PAGE 6

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ON THE RECORD

Stephens

CONTINUED FROM PAGE 1

Q: How do you ensure the proposition that the Rosemont casino will capture the bulk of its audience and gaming dollars from people who are visiting the Chicago area rather than from area residents?

A: Right now, with the dockside provision under this act [allowing existing riverboats to remain moored rather than having to cruise], you can't get on the other boats. They're packed. You have this limitation of 1,200 positions [for people to gamble at slot machines or gaming tables]. I'm hopeful that here, the hotels are going to take up a good part of those 1,200 reservations, if you will, and book reservations.

Q: In previous years, one of the biggest obstacles to bringing a casino to Rosemont has been Chicago Mayor Richard Daley and the city's legislative delegation. They opposed any gambling package that didn't include something for Chicago. What changed?



Tribune photo by Jim Prisching

Donald Stephens: "I still belong to that old school where a politician's word is [his] bond. There are some that didn't go to that school."

A: I talked to the mayor about this, obviously, when we went down [to Springfield] with this bill. I asked him what his position was. He said he really didn't care about boats in Chicago at this time.

Q: You've tried to get a casino for many years. What was different this time to finally get the support in Springfield to make it a reality?

A: It's a lot easier to kill a bill than to get one passed. I was in a position to kill dockside [gambling for existing riverboats]. So I said, 'All right, let's get together and compromise on a bill. Let's get both of our interests.' Then you had Arlington Park [seeking state help to reopen the horse racing track]. I went out to talk to [Arlington owner] Dick Duchossois and I said, 'Let's get together.' That's really what did it.

The different elements came together to focus on one bill. You're dealing with some strong egos and you had to bring these people together.

Q: What happened in the 'war room,' the Capitol office of Rep. Ralph Capparelli, a Northwest Side Democrat, where you brokered deals with legislators?

A: What happened in the war room was that you'd sit and talk to a legislator or a group of legislators and you'd think you came to a position of compromise and agreement and 10 minutes later it was gone. And that is frustrating. I still belong to that old school where a politician's word is [his] bond. There are some that didn't go to that school. Some of the newer ones didn't get that lesson and they were really all over the map.

Q: One commitment you reportedly made to get votes was to agree to round up five legislators to support a future roll call that would add homosexuals to the anti-discrimination protections already included in the state's Human Rights Act.

A: There's nothing secretive about that. [Rep.] Larry McKeon [D-Chicago], a nice man, came in and said, 'I would like to support your bill, but I need help. Can you help me?' He brought in three [female lawmakers and] they wanted to know if I could get them some help on their Human Rights Act. I said, 'I'm not really in favor of that lifestyle, but the way you're explaining it to me, I don't have a problem with that. I don't think you should get fired because of that.' So I said, 'You help me, and I'll try to help you.' I got a commitment from three legislators that voted against them who said they could support the bill.

I thought we had made an agreement, and the next thing I knew, the three ladies weren't there. They wanted their bill passed first.

Later in the evening, when the [gambling] bill was being debated on the House floor, I was talking to [them] and I said, 'Look, ladies, this much I'll do for you. I'll give you my word, for whatever that's worth, that if you hold your 55 votes, I'll find two more votes. Somewhere I'll get two more votes and we can get your 60 votes [needed to pass the bill in the House]. But it can't be now. It'll be at a future date.'

When I said that, I had already checked with some people who had some soft positions. So when I said this to the ladies, I was reasonably sure I could get the five votes.

Q: Should legislators who voted for this expect a campaign contribution from you?

A: I really don't see that. There were 60-some votes for this. Am I going to contribute to 60-some people? I really doubt that I would do that. Are there some that I will? You betcha. They won't have to ask. I'll be there.

Q: Is that why you have a good relationship with Daniels' antagonist, Democratic House Speaker Michael Madigan?

A: No. Madigan, and believe me, I disagree with Michael on a lot of things. But Madigan is a friend. [His wife] Shirley is a friend. Anything that I could do for Michael Madigan, within reason, I would do from a friendship point of view. It has nothing to do with politics.

Q: How did you hook up with HP Inc., the holders of the license for the shuttered East Dubuque riverboat, who are now coming to Rosemont?

A: In the last umpty-ump years I have had every gaming interest, I think, in the United States in this office or I met them at the Hyatt for coffee, all pitching a casino here. And I've told them all the same thing. 'Look, people, I don't have a license. I don't give licenses. I have nothing to do with licenses. Not only that, the law says you can't have a boat here or a casino here, so we've got nothing to talk about.'

Along comes HP, this was a couple of years ago, around the time they stopped [operating in East Dubuque]. They wanted to get together and seek permission to transfer the license over here. I talked to Jim Edgar about it and he said, 'No way.' Without Jim Edgar, we aren't going anywhere. It was just a moot thing. We forgot about it.

Then, when this bill came about and it looked like there was some possibility of passage, I got another request to meet with [HP officials in February]. I met them at the Rosewood restaurant, and they said, 'We'd like to work with you.' I said, 'Fine.' There was nothing sinister.

Q: What is your relationship with House Republican leader Lee Daniels?

A: He did give me a commitment [when Daniels was speaker from 1995 to 1997] that if he were speaker, the gaming issue would come to a vote. He didn't guarantee it would pass, but he said he would call the bill. He never called it. That upset me. That really did upset me.

At the time, he had [civil liability] reform that was the top thing on his agenda, and we helped him [get votes] there. We did help him. So he got his tort reform, and I didn't get anything. I didn't even get the bill called. And I thought that was wrong.

Q: What's in this for Don Stephens?

A: Nothing. Absolutely nothing. The village of Rosemont doesn't care who operates the casino. We don't care who works there. All we want is a first-class operation. If it's going to be in Rosemont, we want it to be top drawer. They brought in their architect, and I met with them and I think it's fine and great. This community, this village, I gave birth to this village. I'm very proud of this village. I really love this village. I care about the people who live here. I really do, contrary to whatever anybody might tell you.

An edited transcript

Meet real winner of Rosemont riverboat

Controversial exec holds all the cards

By Douglas Holt
TRIBUNE STAFF WRITER

Long before the deal was struck last spring to bring riverboat gambling to Rosemont, a retired garbage hauling executive named Donald F. Flynn was maneuvering to grab the first big jackpot.

Flynn, a minority investor in a failed Galena-area casino, lent the partnership \$15 million two years ago to stave off bankruptcy. Then the legislature—in a rush to reap more gambling tax revenue for the state—all but guaranteed that the troubled venture would be granted the new Rosemont gambling license.

By July, only days after Gov. George Ryan signed the gambling bill into law, Flynn converted his bailout money into stock, raising his stake in what will be Cook County's first legal gambling operation to 77 percent—enough, by the estimates of one top gaming analyst, to allow Flynn to eventually pocket \$20 million a year after taxes.

Approval of gambling for Rosemont has been widely touted as a major political coup for Donald Stephens, the northwest suburb's wheeler-dealer Republican mayor who sweet-talked, squeezed and enticed lawmakers into granting permission for the cash-cow casino once coveted by Chicago.

But the real king of gambling in Cook County is shaping up to be the 59-year-old Flynn, an entrepreneur with a sharp eye for finance but a long list of critics who contend that he left them holding the bag in soured business deals.

Flynn, who did not respond to interview requests, is a former Clarendon Hills resident who now lives on an oceanfront estate in Boca Raton, Fla. Five years ago, Chicago Magazine estimated his net worth at nearly \$500 million.

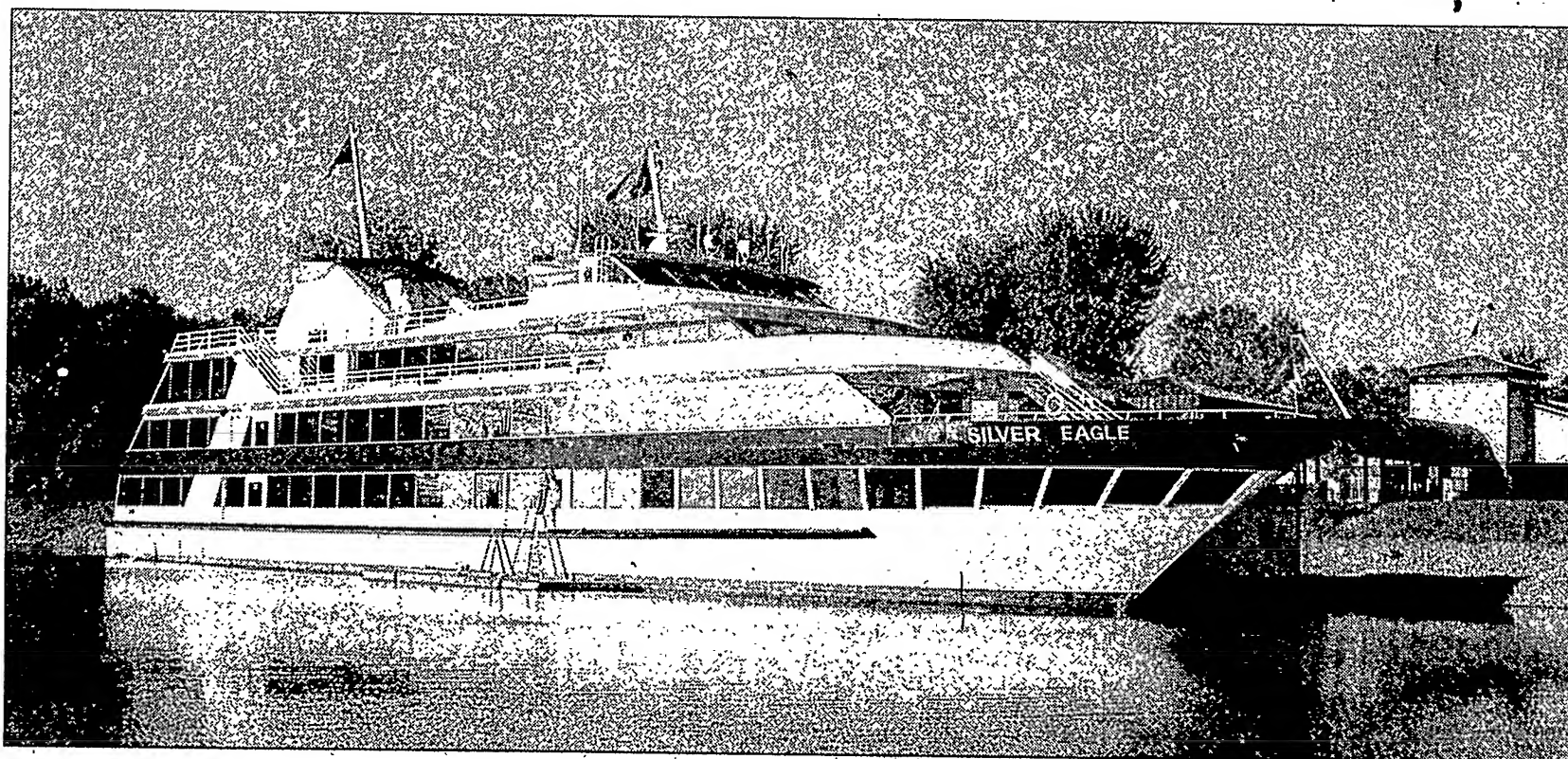
Credited as the financial wizard behind the rise of the former Oak Brook-based Waste Management Inc. into what once was the world's largest trash

SEE CASINO, PAGE 13

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Donald F. Flynn's career in casinos started with a 7 percent share in the holding company for the Silver Eagle, the only casino in Illinois to fail. AP photo

2)

Casino

CONTINUED FROM PAGE 1

hauler, he also scored big as a founder of Blockbuster Entertainment Inc.

But Flynn is one of several former executives at Waste Management linked in lawsuits to accounting troubles that led to a federal investigation and the 1998 sale of the firm to a much smaller out-of-state competitor.

Flynn also faces accusations of accounting sleight of hand in another lawsuit filed in connection with Discovery Zone Inc., the now-bankrupt indoor playground company he once ran.

His career in casinos started with a 7 percent share in HP Inc., the holding company for East Dubuque's Silver Eagle, which like other gambling boats in the state was owned by a consortium of clout-heavy investors.

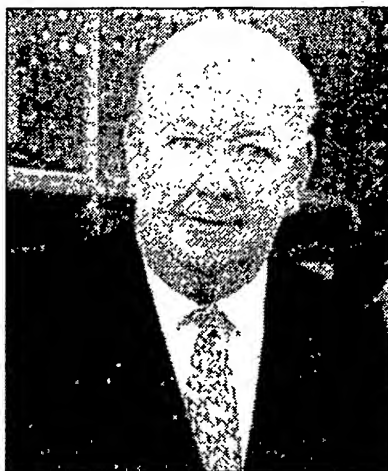
The group included Eugene Heytaw, chairman of Chicago's Amalgamated Bank, where U.S. Commerce Secretary William Daley once served as president; Donna Ring, the widow of lawyer Leonard Ring, a former fundraiser for Mayor Richard M. Daley; and Peer Pedersen, a former Waste Management board member.

But unlike the other boats, which cranked out impressive profits, the Silver Eagle was the only floating casino in Illinois to fail. State regulators, citing HP for improper bookkeeping, bad marketing, non-existent economic development projects and "pitifully low" revenues, have been trying for two years without success to cancel HP's casino license.

Instead, Flynn has seized control of HP and stands poised to see it reborn as the operator of Rosemont's Emerald, which—thanks to its proximity to Chicago and O'Hare International Airport—is almost sure to become the state's most lucrative gambling boat.

Mareilee Cusak, the chief legal counsel for the Illinois Gaming Board, said the panel plans to take a long, hard look at Flynn's business dealings before granting him a license for the Emerald.

"If it turned out there was any wrongdoing on his part, it would definitely have an impact on our evaluation of his suitability," she said.



Tribune file photo

Donald Flynn once ran Discovery Zone Inc., the now-bankrupt indoor playground company.

The Gaming Board, however, appears to have little choice but to give the go-ahead in Rosemont for the Flynn-controlled HP. The legislature rewrote state gambling laws last spring to essentially order the Gaming Board to award the Rosemont license to HP, despite its poor track record with the East Dubuque boat.

HP investors gave nearly \$250,000 to state political campaigns from 1993 to 1998, campaign records show. Last year alone, Flynn and his two sons—both of whom will hold executive positions with the new boat—gave \$15,000 to Republican Ryan's campaign for governor.

Despite all the money and pedigrees involved in HP, legislative leaders insist the vote to ensure it the Rosemont license was simply the most expedient way to get the boat open and earning tax dollars for the state.

A spokeswoman for Senate President James "Pate" Philip (R-Wood Dale) said he was not even aware at the time the gambling bill was debated that Flynn was maneuvering to become majority owner of the Rosemont casino.

"I guarantee the members of the General Assembly did not know that at the time they voted on the bill and don't know that now," said Patty Schuh, Philip's spokeswoman. "I never heard the name Donald Flynn until all this stuff came up."

Indeed, despite his wealth and high-powered résumé, Flynn assiduously avoids the limelight.

"It's not an accident that you

don't know anything about the family," said Flynn's 32-year-old son, Kevin, who is slated to become chief executive officer of the Emerald. "We're very private."

Even so, lawsuits and other public documents have left a lengthy paper trail that highlights the controversial way the Flynn family does business.

Associates describe them either glowingly or with utter scorn.

"First-class people," said architect Gerald Fedorchak, who was an investor along with the Flynnns in another casino, the Blue Chip in Michigan City, Ind. "Absolutely ethical."

The Blue Chip recently sold, pending regulatory approval, for \$273 million. The deal includes a plum for Kevin Flynn, Blue Chip's chief executive officer: a five-year, \$2.5 million consulting contract along with a luxurious Michigan home thrown in as a perk.

But a very different view comes from Robert Calloway, the owner of an Indiana travel agency and one of the Blue Chip financiers. Calloway, 71, feuded with the Flynnns over how much cash each was supposed to pony up to get the Blue Chip off the ground, and the Flynnns sued to oust Calloway. The suit was settled out of court.

"They just believe in pushing people around," Calloway said.

Donald Flynn, a graduate of Leo High School, a Catholic prep school on Chicago's South Side, and Marquette University, was a CPA for the Arthur Andersen accounting firm when he left in 1972 to join Waste Management.

A 1993 corporate history, commissioned by Waste Management, described Flynn as the financial genius behind the company's extraordinary growth from the 1970s to the early 1990s.

"He had a memory for all the financial data going back for years," said Robert S. "Steve" Miller, who joined the Waste Management board in 1996. "Just a complete file cabinet up there in his brain."

A sign of trouble came in 1996, when a federal judge charged that the company was keeping two sets of books on an Alabama dump so that it could cheat its former owners out of millions in royalties. The judge charged that "fraud, misrepresentation and dishonesty apparently became part of the operating culture" of Waste Management.

Flynn had retired as chief financial officer long before the ruling, though he continued to sit on the firm's board of directors and, from 1994 to 1997, was a member of the board's audit committee.

In 1997, Waste Management stunned its investors by admitting that it had used a variety of accounting tricks to overstate pre-tax earnings by \$3.5 billion from 1992 to 1997, artificially inflating the company's stock price.

The company's value plummeted by 64 percent, triggering an investigation by the Securities and Exchange Commission and leading the company to be sold.

Shareholder lawsuits were filed against the original Waste Management. While most are still pending, a preliminary settlement valued at \$220 million has been reached in one of the cases.

"Of all the people on the board, [Flynn] had the most reason, by virtue of his previous experience and his role on the audit committee, to understand what was going on," said Nell Minow, a partner with LENS Investment Management in Washington, which is suing Flynn and other Waste Management officers.

On the way to becoming a gambling titan in Illinois, Flynn made it clear that he would block any attempt by the state to cancel his company's casino license.

"We do not intend to just smile and walk away from this license," Flynn told the Gaming Board at a 1997 hearing into HP's fitness to have the license renewed. "We don't want to fight, but we certainly are not businessmen who will walk away from a \$30 million investment."

In the end, Flynn won not by fighting but by seeking out Rosemont's politically powerful mayor when momentum for a gambling bill was gaining.

With Stephens in his corner, Flynn benefited from what state Rep. Angelo "Skip" Saviano (R-Elmwood Park) calls the "Rosemont Crew," lobbyists and lawmakers loyal to Stephens.

"My own feeling is the Flynnns probably were fortunate," Saviano said. "There's no way they would've been able to do this themselves."

Tribune staff writers Rick Pearson and Phil Borchman contributed to this report.

REGION'S BEST READ NEWSPAPER

Chicago Sun-Times

WEDNESDAY, AUGUST 11, 1999

Gaming cash pays off

By DAVE MCKINNEY
SUN-TIMES SPRINGFIELD BUREAU

SPRINGFIELD—Gambling interests that pushed for a casino in Rosemont and for the reopening of Arlington International Racecourse fattened the political war chests of Gov. Ryan and the top legislative Republicans by \$161,900. The top Democratic

Gambling lobby gives heavily to pols

leaders shared \$17,500.

The figures, compiled from recently filed state campaign records, offer a glimpse of how the state's gambling barons successfully ushered in the first major change to state

gaming laws in nearly a decade.

About 40 percent of the total contributions flooded into campaign funds during May and June, a critical period when the gambling legislation made its way out of the

General Assembly and Ryan signed it.

Aides to Ryan and top legislative leaders insisted there was no link between the money and passage of the gambling bill.

But government watchdogs and anti-gambling activists said even the appearance of receiving funds from gaming interests is wrong.

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Wednesday, August 11, 1999

METRO

Chicago Sun-Times

BIGGEST RECIPIENTS



Lee Daniels

\$52,500
Arlington Int'l.
Racecourse owner
Richard
Duchossois, his
businesses and
family
\$10,000
HP Inc.'s Donald
Flynn



Pate Phillip

\$15,000
Rosemont Mayor
Donald Stephens
\$10,000
Arlington
International
Racecourse
\$10,000
Hollywood Casino



Gov. Ryan

\$10,000
Empress River
Casino
\$6,000
Arlington
International
Racecourse



Mike Madigan

\$5,000
Harrah's
\$5,000
Empress River
Casino



Emil Jones

\$2,500
Empress River
Casino
\$2,500
Arlington
International

Note: Figures are for the period Jan. 1-June 30, 1999, and combine donations to personal and party funds controlled by each legislative leader.

SOURCE: State Board of Elections

SUN-TIMES

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Casino vote reaps reward for state pols

Gaming interests fill coffers

SPRINGFIELD—Four days after Gov. Ryan signed gambling legislation, the Empress River Casino deposited \$10,000 into the governor's campaign fund.

On the same day of the Empress contribution, Hollywood Casino gave \$10,000 to a Senate Republican campaign fund controlled by Senate President James "Pate" Philip (R-Wood Dale), who favored last spring's gambling deal.

In fact, more than 40 percent of the \$272,405 that gambling interests gave last spring to Ryan and members of the General Assembly came during May and June, a critical period when the measure passed the Legislature and the governor signed it.

The Chicago Sun-Times reviewed hundreds of gambling-related contributions received by state lawmakers between January and June and found similar end-of-session or post-session gestures toward rank-and-file lawmakers.

Republicans across the board got about four of every five dollars from gambling interests, although Democratic forces had to produce the majority of votes for the bill.

Sen. James DeLeo (D-Chicago), an ally of Rosemont Mayor Donald Stephens, got \$10,500 in gambling contributions—more than any other lawmaker besides Gov. Ryan and the four legislative leaders. All of that came after DeLeo helped get the bill out of the Senate.

Rep. Larry McKeon (D-Chicago) received \$1,000 from the Empress one week after pledging a bloc of votes for the gambling bill in exchange for a promise by Stephens to help resurrect failed human-rights legislation this fall.

And Rep. Wanda Sharp (D-Maywood), who bucked some of her black colleagues and supported the bill, received \$3,400 in June from the Empress and Stephens, his family or associates. Stephens' wife, Katherine, gave \$500 to the freshman lawmaker, who recorded the contribution in her campaign forms with an inscription that read: "Good faith effort."

The findings have renewed calls from government watchdog groups and anti-gambling activists to prohibit gaming-related campaign

contributions, but the political likelihood of that happening is slim.

"Just the appearance of this is wrong," said the Rev. Tom Grey, executive director of the National Coalition Against Gambling Expansion. "Just when do we find the gambling people ever being said 'no' to? I didn't see George Ryan veto a bill they wanted. I saw him sign it, then get money."

Ryan also accepted \$6,000 from Arlington International Racecourse in May and June and \$1,000 from a company owned by Empress investor Charles Hammer-smith in late May.

"Regardless of whether it was \$1.10 or \$100, there's no relationship between contributions and positions the governor takes on legislation," Ryan spokesman Dave Urbanek said.

Asked whether the Empress donation in particular could be perceived as a "thank you" for signing the bill, Urbanek said, "Only in the minds of someone who's predisposed to think that way."

Not reflected in the latest round of campaign filings were \$18,000 in do-

nations Ryan accepted last September and October during his gubernatorial campaign from Donald Flynn, his company and two sons.

The Flynn's hold a majority stake in HP Inc., the investment group that holds the license of the dormant Silver Eagle casino in East Dubuque and figures to operate a Cook County casino.

The largest beneficiary of gambling money this spring was House Minority Leader Lee Daniels (R-Elmhurst). Two funds he controls took in \$74,400 from gambling interests.

The biggest Daniels donor was Arlington owner Richard Duchossois, his businesses and family. A Daniels spokesman said the campaign funds did not buy votes.

"Only a novice would ever think there was a direct tie-in like that," Daniels spokesman Gregg Durham said.

Duchossois, his family and businesses contributed \$83,400 to rank as the largest gambling donors for the spring.

Next on the list were: the Empress (\$63,725), Hollywood Casino (\$23,575) and Stephens, his family or associates (\$21,550).

TOP LEGISLATIVE RECIPIENTS

Sen. James DeLeo (D-Chicago)	\$10,500
Rep. Brent Hassert (R-Lemont)	\$4,750
Rep. Wanda Sharp (D-Chicago)	\$3,400
Rep. Kathleen Wojcik (R-Schaumburg)	\$3,000
Sen. Walter Dmyczek (R-Chicago)	\$2,500

Note: Recipients excludes four legislative leaders and Gov. Ryan.

Chicago Sun-Times 17
Tuesday, July 6, 1999

METRO

Gaming Board to implement casino rules

ASSOCIATED PRESS

The Illinois Gaming Board will consider how to implement the new rules governing the state's 10 floating casinos when it meets July 20.

It will tackle the challenges presented in a new law, signed June 25 by Gov. Ryan, that legalized dockside gambling and cleared the path for owners of a dormant license to relocate in Rosemont.

Chairman Robert Vickrey said he expects the board to begin considering Ryan's suggestions—including a ban of automatic teller machines on riverboats.

The board's two newest members are attorneys Gregory C. Jones and Joseph Lamendella. Jones is a civil trial attorney with the Chicago firm of Grippo and Elden. Lamendella is an accountant who practices tax law, commercial litigation and some criminal defense work.

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REGION'S BEST-READ NEWSPAPER

Chicago Sun-Times

www.suntimes.com

WARMER Pages 2, 45

MONDAY, AUGUST 16, 1999



Rocker revisits Joplin

Page 31

Cathy Richardson

SUMMER Beach BUCKS

1035

Win \$1,000, Page 69

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Rosemont may get Vegas glitz

BY ROBERT C. HERGUTH
AND DAVID ROEDER
STAFF REPORTERS

No stranger to glitz and glamor, Rosemont is poised to add to its Las Vegas-style glitter.

A Hard Rock Cafe hotel and a



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EVERYTHING'S COMING UP ROSEMONT

How Mayor Don Stephens took a small village into the big time

By Patrick T. Reardon • Tribune photos by Phil Greer

Outside the Rosemont Theatre, Donald E. Stephens—founder, mayor, creator of Rosemont—gets behind the wheel of his Mercedes and heads west through a seemingly endless parking lot. He's giving a tour of his village, and this is something he doesn't want his visitors to miss: a lone industrial building, surrounded by asphalt, at the very rear of the property.

This large area between River Road and the Tri-State Tollway was, until recently, covered by a grid of streets and long, one-story, six-unit buildings that housed ma-and-pa factories, warehouses and small offices.

In the early years of Rosemont, Stephens worked hard to attract such industrial development to the then-virgin town. But, four decades later, he is in the process of erasing such handiwork to make way for the latest of his mega-projects—mega-projects that have included the Rosemont Convention Center, the Rosemont Horizon, and, now, the theater and its parking lot.

As usual, Stephens invoked the village's municipal powers to condemn the land, buy it from the owners and then level it. And, as usual, there was someone who was slowing him down—in this case, Commercial Carpentry Corp., an Arlington Heights firm that had a six-year lease on a warehouse in one of the six-unit structures. Commercial Carpentry wanted top dollar to surrender its lease; Stephens didn't want to pay top dollar. So he came up with a typical—for him—solution.

He had two-thirds of the building chopped off, leaving Commercial Carpentry and one other tenant marooned in the vast expanse of parking. (All other tenants had

moved out.)

"I told them, 'Just cut it off here.' He couldn't believe we did that," Stephens says, enjoying the memory.

The other tenant quickly agreed to move, but Commercial Carpentry held out. For more than a year, the firm put up with such irritations as

political lord, controlling his town with an iron fist and wielding statewide influence through force of personality, vision and campaign funding. He's blunt, engaging, ruthless, single-minded, friendly, hard-working, and no slave to fashion. And he has ruled his town for 41 years, nearly twice as long as Daley

that O'Hare would have an impact on the metropolitan region, but no one could imagine just how far-reaching that impact would be. Daley, with the help of his tiny neighbor, Rosemont, fought off a suburban effort to snatch control of the airfield from Chicago. But, even though he won the battle, Daley lost the war.

Over the decades, O'Hare was the single most significant factor in the shift of power from Chicago to the suburbs. The airport acted like a huge economic magnet, drawing people, industry, offices, stores, businesses and wealth away from the city. Because of their proximity to the airport, the northwest suburbs and DuPage County not only experienced 40 years of explosive growth but now also operate as the power brokers of Illinois politics.

However, no one reaped the O'Hare harvest as cannily or as thoroughly as Don Stephens. Early on, he decided to take full advantage of the airport and the intricate network of highway connections in and around his 4.5-square-mile village. Rosemont wouldn't be a bedroom community. It would be a going concern, a commercial enterprise. It would turn a profit.

Today, little of the original Rosemont remains. Gone are the onion fields, the roadside amusements, the farm stands and the sleaze—all plowed under to make way for towering hotels and high-rise office buildings. Gone are the gas stations and the garbage dumps, replaced by the convention center, the Horizon and the theater—mammoth arenas that have transformed Rosemont into a key entertainment center for the Chicago metropolitan region and a major convention site for the nation.

While other suburban governments struggle to make ends meet, Rosemont is awash in money.

"Rosemont is unique," says state



From his office in the Rosemont Village Hall (above and left), Mayor Don Stephens wields an authority few have successfully challenged.

chains that blocked the parking lot entrances and snowplows that cleared the lot but left mountains of snow around the warehouse, before reaching a settlement and agreeing to leave this spring.

"He couldn't believe it," Stephens says, still chortling, as he turns the Mercedes away and heads for another stop on the tour, "when we chopped the building off."

Donald Stephens is one of a kind. He has been compared to Mayor Richard J. Daley, Chicago's legendary "Boss" and the father of the city's present chief executive. And there are some parallels.

Stephens, like Daley, is a builder—a builder of big things. He's a

was in office.

But Daley held sway over a city of 3 million people. Stephens' empire has fewer than 4,000 residents.

When Daley took over Chicago in 1955, he was heading up one of the greatest metropolises in the world. A year later, when Stephens was elected village president of the newly incorporated Rosemont, he was taking on a tiny flood-plagued corner of Cook County, an area of truck farms, roadside restaurants, garbage dumps, brothels and a single subdivision.

In the intervening decades, however, Chicago has struggled while Rosemont has boomed. And it has been O'Hare International Airport that has made the difference.

In the mid-1950s, everyone knew

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Sen. Martin Butler (R, Park Ridge) who has known and dealt with Stephens for nearly 30 years. "Don has been tremendously effective in creating Rosemont in his own image. He literally started with almost a blank piece of property. He didn't have to concern himself with residents' attitudes or views."

If Chicago's north, northwestern and western suburbs have their own downtown, it's Rosemont.

It even has morning and evening rush hours. And, if the personal rapid transit system (small automated vehicles on an elevated guideway) approved by the Regional Transportation Authority for Rosemont, is built by the year 2000, as Stephens hopes, the village will have its own Loop—a 2.2-mile-long line circling the convention center and the major hotels along River Road.

Nearly 24,000 people work in Rosemont, six times the population. In any given week, the village—which is situated at the northeast corner of O'Hare, astride the airport's only highway entrance—plays host to an average of more than 64,000 conventioners, concert-goers, sports fans and other visitors. In the course of a year, an estimated 3.4 million people attend events in Rosemont.

Rosemont is where Jay Leno set up shop last year when he came "to Chicago" for a week. Frank Sinatra has performed in Rosemont, and Bruce Springsteen. Fleetwood Mac was the opening act at the Horizon; Barry Manilow at the Rosemont Theatre. Major League Baseball owners have held their annual meetings in Rosemont; so, too, the National Football League. George Bush made two stops in Rosemont—little Rosemont—during his 1992 presidential race, and Ross Perot held an anti-NAFTA rally there in 1993.

Rosemont is on the nation's map, even the world's, in a way that no Chicago suburb can match. And other suburban mayors and officials look at Rosemont with a mix of envy and abhorrence.

The village's massive tax revenues from commercial property—Rosemont has an annual budget of more than \$93 million—means political peace. It's easy for Stephens to keep the few thousand residents happy by providing a high level of deluxe services, such as annual home improvement grants, actually back-door property tax rebates, of hundreds of dollars.

But, with all its commercial development, Rosemont is like, well, downtown Chicago.

"When I was mayor of Park Ridge," Martin Butler says, "we wanted to have a residential commu-



At home with his wife, Katherine—in Rosemont, where else?



At a pre-village board meeting: Wheeling and dealing in the shadow of O'Hare.



In the Hummel museum: Souvenirs from an educational trip to Europe with his son seeded a collection of global proportions.

nity, so we resisted the very things Don would push hard for."

"We work together. We're a family. This is like the family business."

Speaking is Don Stephens II, the son of the Rosemont mayor and the village's public safety director. He has a backache. Every few months or so,

his back will tighten up on him, and this is one of those times.

But it's not just his back that's making him uncomfortable as he sits behind his desk in the marble-walled and dark wood-paneled Rosemont village hall. It's the questions he's being asked about the future—about his future and the village's future once his father is gone.

"He ain't gonna retire," says Stephens II. "This is like his hobby. We've got the antique cars, the antique boats, but he always comes back to Rosemont."

That's the way it has been from as early as the 44-year-old Stephens, known around town as Donnie, can remember. "In my younger years, all he concentrated on was on making this town what it is today. When he was home, he was probably the best father you could ask for. But he wasn't around a lot. He had Rosemont on his mind constantly."

Growing up, the mayor's namesake son had no desire to follow in his father's footsteps. His goal was to become a policeman, and, in May 1974, he joined the Rosemont police department. (His own son, Donald Stephens III, is now a radio dispatcher for the village.) Two years later, Stephens II lost the use of his left arm following a motorcycle accident, but remained on the force, serving in a number of jobs, including head of the important auxiliary police responsible for directing traffic for the frequent concerts and other special events in the village.

Then, in 1985, his father asked him to serve as deputy mayor, and it was clear he was being groomed as the mayor's eventual successor. (The elder Stephens, like many suburban village presidents, is called mayor.) But it was an awkward fit. Unlike his father, Don Stephens II is a shy man of modest tastes and interests.

"I felt when I took over as deputy mayor," he says, "that people were expecting me to live up to what he's done, and there's no way in hell—I mean, he's one of a kind."

After a difficult 10 years, Stephens was able to convince his father to let him shift over to run the village's combined police and fire operations as public safety director.

No one has replaced him as deputy mayor, but, as he has receded from the limelight, his two younger brothers, Mark and Bradley, have become more involved in "the family business."

Bradley has been a village board member since 1989, and is the supervisor for Leyden Township, where his father is the Republican committeeman. Mark, an attorney, has been chairman of the Triton College board since 1992, and his BoMark Cleaners has the contract, worth about \$2 million a year, to clean the Rosemont Convention Center.

Their father, who was called "the boy mayor" when he first took office, turned 69 in March, and the question of a successor remains open.

"I know he's the boss," the younger Donald Stephens says. "He's done it

all. I don't think I'm worthy of [being mayor]. I don't think my two brothers are worthy of it."

Mayor Donald E. Stephens tells this story:

It was the mid-1960s, and he was being investigated yet again, this time by Charles Siragusa, executive director of the Illinois Crime Commission. After shipping a batch of records to the commission's Loop office, Stephens went there himself for a lengthy interview with the former federal lawyer, carefully recorded by a court reporter.

When it was over, the two men found themselves standing side by side in the men's room.

"Mayor Stephens," Siragusa said, with a mix of amazement and consternation, "you make more money than I do."

"Mr. Siragusa," Stephens replied, "is that a crime?"

Stephens is a former high school and semi-pro football lineman, and he retains a lineman's hard-nosed, straight-ahead, ramrod sense of self. There's no room for embarrassment at the scrimmage line. You're sure of yourself and where you want to go and what you need to do to get there—or you're knocked on your butt.

Stephens is a burly man with wide shoulders and an oversize chest. Through the years, he has had his share of medical problems: two heart attacks, a thyroid condition, bouts of depression. He walks with a slight bend in his upper body, but there's no aura of fragility about him.

His eyes, alert, active, are like headlights—with the brights on. He exudes a vitality and zest for life rare for anyone of any age. And he makes no apologies.

Many of the niceties that everyone else lives by, he ignores. Concerns about what others might think rarely enter into his calculations.

Consider political correctness. During a village board meeting, he refers to village clerk Rosalie Lennstrom as "Sweetie." And, looking down a long list of new auxiliary police officers, he says, in reference to several Hispanic names, "We've got some south-of-the-borders on here. Good."

Or consider Sam "Momo" Giancana.

Showing off his home, Stephens makes a point to pull out from one of his bookshelves "The Don," William Brashler's out-of-print biography of the crime syndicate chieftain who was murdered in the basement of his Oak Park home in 1975.

"I read it," Stephens says, "to find out about the guy—because I'd met the guy."

Well, actually, Don Stephens did

more than meet Giancana. Early in his career, he engaged in a business deal with the mob boss that has tainted his reputation ever since. It sparked dozens of investigations by government agencies, prosecutors and the news media over more than a quarter century, so many that Stephens once described himself as "probably the most investigated S.O.B. in the world."

It also resulted in two federal trials for political corruption—trials that

Stephens won resoundingly but that left him shaken and sobbing.

The Giancana deal involved his 53-unit Thunderbolt Motel at 5400 River Road in the village. On Jan. 31, 1963, the mobster sold the business to Stephens and Patrick Greco, a local contractor, for \$520,000 (about \$2.6 million in today's dollars). Stephens and Greco paid \$150,000 up front, and, when they were unable to obtain a mortgage because of Giancana's notoriety, the syndicate lord agreed to hold

the mortgage himself.

Two weeks later, when word of the sale leaked out, the headline in the Tribune was: "Politician Buys Hoodlum Motel."

Sitting in his richly appointed village office, with its lush carpet featuring a giant version of the ubiquitous Rosemont rose, Stephens says that the owners of another Rosemont motel had initially sought to buy the Thunderbolt. But they backed off when they realized who owned it, afraid of damaging their reputations.

Didn't Stephens have those fears?

"Why? We did nothing wrong."

It wasn't the first time Stephens had been the subject of bad publicity. Two years earlier, Chicago's American had disclosed that his home and as many as 25 others in the village had been assessed as if they were vacant land, resulting in annual property tax bills of less than \$30 each. (The problem, Stephens says today, was that the assessor's office misplaced building permits submitted by the village.)

There had been an IRS investigation then that went nowhere. But it was nothing compared with the myriad probes that followed Stephens' purchase of the Thunderbolt, which he and Greco renamed the Caravelle Motor Inn.

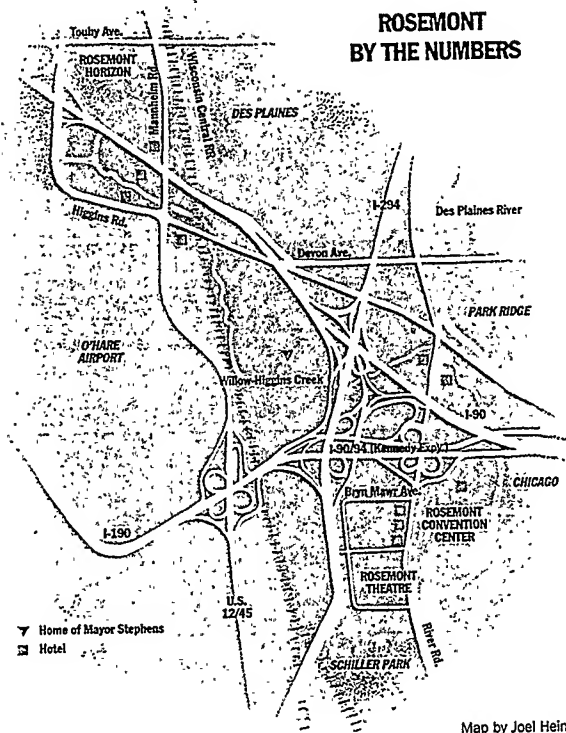
Not all of the investigations, however, were on the up and up.

"Raid Motel Hood Sold to Village Head" was the headline in the Tribune of Jan. 7, 1964. The night before, Richard Cain, the chief investigator of the Cook County Sheriff's police, had barged into a room in the Caravelle and found 45 cartons of drugs that had been stolen three months earlier from a drug company warehouse in Melrose Park. Included with the article was a photograph of a submachine-gun-toting Cain carefully opening a motel door.

What the caption didn't say was that it was a door to a closet. But that wasn't the only thing phony about the raid. In fact, it was all a fake, an effort by Cain, whose close connections to the crime syndicate were not yet known, to protect the thieves who had stolen the drugs in the first place—and, perhaps, to make Stephens look bad. Less than a year later, he and two associates were convicted of perjury for lying about the incident.

Meanwhile, other, more legitimate investigations of Stephens followed one after the other:

• In January 1967, a state and federal probe was launched into a \$3 million housing and shopping center development in the village, managed by Giancana's half-brother Charles. Stephens had purchased two of the development's 37 Georgian-style, two-story apartment buildings, and his brother and business associate, Ralph Stephens, had written the liability



Size of village: 4.5 square miles

Residential population: 3,995

Number of workers: 23,627

Number of village employees: 185 full-time, 1,300 part-time

Average weekly visitors: 64,557

Yearly visitors: 3.4 million

Total number of hotel rooms: 4,760, with another 1,600 planned.

Size of Rosemont Convention Center: 600,000 square feet, making it the 16th largest convention hall in the U.S.

Number of major U.S. trade shows held at the Rosemont Convention Center in 1995: six, making

Rosemont the ninth most popular site, tied with Los Angeles and Louisville, and ahead of Orlando and Washington, D.C.

Equalized assessed valuation of real estate in Rosemont in 1995: \$222.6 million, or \$55,726 per resident. By contrast, the equalized assessed valuation per resident was \$10,196 for Chicago; \$24,608 for nearby Des Plaines; and \$32,056 for Schaumburg, the dominant northwest suburban municipality.

Annual budget of the village government: \$93 million.

1995 retail sales: \$189.4 million.

—Patrick T. Reardon

insurance for the development. No charges were filed.

• A month later, the Illinois Liquor Control Commission accused Stephens of giving preferential treatment to his Caravelle and to Charles Giancana's liquor store. Stephens was ordered to issue liquor licenses to two taverns that he had ordered closed.

• In August 1972, a Cook County grand jury began hearing testimony regarding charges by the Better Government Association and the news media that Stephens had sought to bribe maverick village board members. No charges were filed.

• In May 1977, a newspaper investigation disclosed that Stephens had spent \$2.5 million in construction contracts for the convention center, then known as the O'Hare Expo Center, without seeking written bids. Stephens responded that the procedure used was "sloppy but not illegal." No charges were filed.

Then, in March 1983, Stephens' luck ran out. He was indicted by a federal grand jury for allegedly lying on his income tax returns. And, seven months later, he was indicted again, this time for allegedly accepting kickbacks of more than \$87,000.

After nearly three decades of seemingly skirting the edge of propriety, if not legality, while building his village into a suburban powerhouse, Stephens appeared to be on the verge of a Shakespearean downfall.

For Stephens, the experience was an exquisitely painful purgatory.

He was used to having his way, to being the final word. (He argues today that he never was as cozy with the mob as news stories of the 1960s implied because: "Look at me. I could never have anybody telling me what to do.") Yet, now he found himself just another name on the docket.

"There is no way," he says, "you can describe the feeling. You go into a courtroom, and, in your heart of hearts, you really believe you're not a bad guy. You don't beat old ladies. You don't spit on young boys. And some guy stands up there and says all these rotten things about you. It's the United States

*'When I
was young,
I wanted to earn
money
and be
independent.'*

government versus you."

On Feb. 29, 1984, the verdict in the first trial was returned: Not guilty.

On Feb. 28, 1985, the verdict in the second trial was the same: Not guilty.

After each verdict, Stephens wept.

And, in the end, there was an added touch of vindication that Stephens could take away from court—an unusual comment by U.S. District Judge George Leighton, who presided at the second trial. Speaking outside the presence of the jury a few days before the verdict was returned, Leighton said of Stephens and his two co-defendants:

"I have admiration for people like this. They are the people who make this country go. These are the people who see a vacant piece of land [and can envision a 40-story building on it]. All I see is mud."

Don Stephens' eyes are even brighter than usual as he walks amid the shelves and shelves of ceramic Hummel figurines in the Donald E. Stephens Museum of Hummels in the Rosemont Convention Center—another must-see stop on his tour of the village. (Elsewhere in the building is the Donald E. Stephens Ballroom, and over in Rosemont's main residential area is the Donald E. Stephens Park.)

He points to the figurine of a small boy on a sled and says, "I just think he's adorable. The one I like the most is 'Letter to Santa.' I just can't find it right now." He stops in front of a figurine of a boy and girl standing next to a cradle in which a baby sleeps. "It's called 'The Blessed Event,'" the mayor says.

His interest in the Hummels dates back to the summer of 1969.

"My son Donnie flunked

world history, so I took him to London, Paris, Berlin—I'd never been to Europe either—Rome, Athens."

In Berlin, where a bored 16-year-old Donnie finally found a restaurant that served cheeseburgers, his father came upon Hummels for the first time and bought six.

From then on, he was hooked. Every trip he made to Germany and nearby countries—he is a frequent traveler—Stephens would rent a car and haunt small towns looking for unusual Hummel figurines.

A thousand of Stephens' Hummels—some cost as much as \$15,000—are displayed in the museum, which opened in 1987. Now he and his sons collect antique cars (more than 30 so far) and antique boats (10 or so).

"Years ago," he says, "I collected coins. And I used to collect big bills. If the bank had a \$500 bill, I'd buy it. If the bank had a \$1,000 bill, I'd buy it."

Rosemont's mayor talks diets with Gov. Jim Edgar. He trades notes about model trains with Illinois Secretary of State George Ryan. Former Gov. Jim Thompson is a friend. So was the late Thomas Keane, the powerful Chicago City Council floor leader for the first Mayor Daley.

Men like Don Stephens. Women do, too. (He's been married five times.)

"He's an easy guy to talk to and be with," says Martin Butler of neighboring Park Ridge. But that's only part of the reason that Stephens is one of the most powerful figures in Illinois politics.

Stephens grew up in the Austin neighborhood on Chicago's Far West Side, and, when he was 11, his father, a factory owner, died. It was then that he, his mother and his two brothers moved to live with an uncle in the place that would become Rosemont.

"When I was young, I wanted to earn money and be independent," says Stephens. "I really wanted to be comfortable. I wanted to have a new car and that kind of thing."

Today Stephens, who without benefit of a college degree

Continued on page 27

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Stephens

Continued from page 17

has sold insurance, owned car washes, built homes, run the Caravelle, developed land and held stock in other hotels—almost all of this in the village—is a millionaire, and more.

"I've done well in the private sector," says Stephens, whose annual salary as mayor is \$50,000. "I don't think I'm dumb. If I could do what I've done for the village of Rosemont—and I think I did well—obviously I did the same for myself."

Like many powerful small-town politicians, Stephens can do little for Rosemont that doesn't benefit his own interests. And those interests are often linked with the interests of other people doing business in and with the village.

What's good for Rosemont is good for Stephens—and for his political clout.

The name of the game in today's politics is fundraising; Stephens is a master. Last year, the four political funds he controls took in more than \$800,000 in contributions, and he was generous in doling out campaign money across party lines around the state.

For example, on the Republican side, Edgar got \$4,500, and former Illinois House Speaker Lee Daniels, \$2,500. Among Democrats, Chicago Ald. Ed Burke (14th), chairman of the City Council's finance committee, received \$1,500, while State Rep. Ralph Capparelli, who represents the Far Northwest Side and is Stephens' friend, got \$16,500.

And it doesn't stop there. All Stephens needs to do is put in a good word for a political candidate with the major firms doing business in or with Rosemont and suddenly the money starts rolling in.

And, finally—but far from least in the equation of Illinois politics—there is his army of political workers covering the entire northern half of western Cook County.

"There are very few good political organizations left in the state, and Don Stephens has one of the strongest," says George Ryan. "He has the sort of political organization that those of us who run for public office like to tap into."

No wonder politicians like Don Stephens. Really like him.

Edward "Red" Heuer, who operated Heuer's Restaurant on River Road until the village landmark was razed by Stephens in 1985 for an expansion of the convention center, says this about the mayor:

"He's done a lot for Rosemont, but he's a son-of-a-bitch."

Heuer's brother-in-law and former partner, George Eggert, pages sadly through a family album of the restaurant's final days, including shots of its demolition. He's bitter about losing the restaurant, but he says: "Whether you like the man or whether you don't, [Stephens] did a hell of a job. The people of Rosemont, for the most part, think the world of him—and rightly so. They've got to be the happiest people in the world. They've got their own Camelot."

Richard F. Dienethal, who has lived in Rosemont for nearly 30 years, ran against Stephens for mayor in 1985.

"The guy is a terrific business manager," Dienethal says. "[But] the old man just has too much power." The voters didn't agree, re-electing Stephens by a 4-to-1 margin. That was 12 years ago. No one has challenged Stephens since.

Don Stephens has more he wants to accomplish for Rosemont, such as winning state approval for a casino. But, as he heads east on Devon Avenue toward the village hall to bring his tour to an end, he is asked about the future—about the post-Don Stephens era.

"Rosemont's going to be a pretty stable community when I'm gone. You're not going to be able to write Rosemont off. It's here to stay."

Then, thinking about the early days when he and other residents went hat-in-hand to nearby towns—to Des Plaines, to Park Ridge, to Schiller Park—seeking annexation and were rejected, he says: "The worst problem many of these public officials have is: They just don't have imagination."

And Don Stephens has one last thing to say: "If I was the mayor of Des Plaines when Rosemont incorporated in 1956, it would never have happened. I would have taken it."

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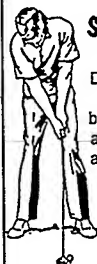
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Rosemont may collect amusement tax

By TIM NOVAK
COOK COUNTY REPORTER

After two years of losing court battles, Rosemont may finally let Cook County collect an amusement tax from people who attend concerts, plays and sporting events in the village.

Under the deal, Rosemont will escape paying back taxes to the county, which, court records say, has lost at least \$3 million because Rosemont Mayor Donald Stephens refused to collect the tax that began in 1997.

"Attorneys for both sides are working out the details on collection of the tax," said Jack Beary, spokesman for Cook County Board President John H. Stroger Jr.

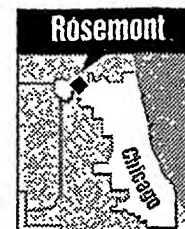
"They're not going to be assessed the back tax," Beary said. "The attorneys feel there may be additional questions about the tax liability, and that the county would be better served by working with the municipality in collecting the tax from here forward."

Stephens spokesman Gary Mack confirmed that Rosemont is talking with the county about ending the two-year battle to collect taxes on admissions to the Rosemont Theatre, the Rosemont Convention Center and the Allstate Arena, formerly the Rosemont Horizon.

The village has asked the Illinois Supreme Court to hear the case, but a court spokesman said it will be several weeks before the court decides if it will take it.

The fight began after Stroger imposed a 3 percent tax on admissions to entertainment events starting Jan. 1, 1997, to raise \$11.5 million a year. The rates have since been lowered. Stephens responded by passing an ordinance exempting the village for collecting the county tax.

At the time, Stroger, a Democrat, accused Stephens, a Republican, of balking at the tax because the county refused to sell Rosemont 2.4 acres of forest preserve land. The county decided to sell the land to Rosemont two months ago, but Beary, Stroger's spokesman, said that deal is



unrelated to Rosemont's apparent willingness to collect the tax.

Rosemont's refusal to collect the tax brought a lawsuit from Cook County, which won in the circuit court and in the appellate court.

As the court battle raged, Cook County and the City of Chicago decided they needed to reduce their separate amusement taxes to en-

courage more live performances in the county. The county now charges only a 1.5 percent tax on admissions to large arenas, including the Allstate Arena, and 1 percent on mid-size venues such as the Rosemont Theatre. Venues that seat fewer than 750 are exempt.

281A-CG-110121 SUB NC-17.

Casino

CONTINUED FROM PAGE 1

He went door to door in parts of Park Ridge, Norridge, Schiller Park and the Northwest Side last week promoting his stand against the casino.

Coconate is calling for public hearings on the casino and is critical of local politicians for not organizing public forums earlier.

The proposed casino will be subject to public scrutiny before the Gaming Board, a spokeswoman for the board said. A formal vote on Emerald's proposal is not expected until at least October.

Emerald holds the license to the failed Silver Eagle riverboat casino, formerly of East Dubuque. The company wants the Gaming Board to approve a renewed license and relocation to Rosemont.

Gaming Board officials said they expect a presentation on the nuances of the facility Tuesday.

Coconate said many Park Ridge residents do not want a casino and others seem not to realize that Rosemont is only about 10 blocks away, on the other side of a Cook County forest preserve.

"I just don't like [a casino] out here," he said. "If it was in Chicago, OK. Downtown can handle the traffic."

Residents opposed to a Rosemont casino do have advocates. Some state representatives and private groups oppose portions of the gambling law that gives some of the casino profits to the horse-racing industry.

Park Ridge Mayor Ron Wietecha got into sniping matches with Stephens earlier this year over the local impact of a Rosemont casino. Park Ridge refused to support the concept and will not be among the communities sharing in casino profits, a posi-

tion that Stephens has called "nuts."

Towns that support Rosemont, from Palatine to Ford Heights, have been told to expect \$100,000 to \$500,000 a year as their share of casino profits. Rosemont is promised several million dollars annually for at least 10 years. The horse-racing industry would receive millions of dollars more, allowing for the reopening of Arlington International Racecourse in Arlington Heights.

Park Ridge resident William Powell said his landlocked town needs a stronger commercial tax base to relieve homeowners of most of the burden of financing local schools. He said it is a shame that Park Ridge will not benefit at all from the casino, even though he has no intention of going there.

"I can't see any problem with it. If people wish to go to gamble in Rosemont, I would tolerate it," he said. "But I wouldn't go there, and I wouldn't want any unsavory element in Park Ridge."

Elgin officials have expressed concern that a Rosemont casino could siphon off a third of the profits at their city's Grand Victoria Casino, now the most lucrative casino in the state. The Grand Victoria set a state gaming record for a single month by bringing in \$30.3 million in adjusted gross receipts in July.

Overall, casinos in Illinois raked in a record-high \$131.4 million in July, the first full month after Gov. George Ryan signed into law the measure allowing dockside gambling. Observers said easier access to boats dockside meant shorter lines and more money spent.

Freelance writer Krystyna Slivinski contributed to this report.

Casino strikes many people in Rosemont as done deal

But pockets of opposition exist on town's periphery

By Dimitra DeFotis
TRIBUNE STAFF WRITER

When Emerald Casino Inc. goes before the Illinois Gaming Board on Tuesday seeking to operate a gambling enterprise in Rosemont, it is unlikely local residents will pack the boardroom to complain.

Those most likely to put up a stink in any other town—the local residents—are mum in Rosemont. City leaders there opened their arms to the Chicago company, formerly known as HP Inc.

The casino is viewed as a done deal by many of the city's 4,000 residents, most of whose homes are isolated from the town's lucrative hotel strip on River Road.

In interviews, residents said the area already has so much traffic congestion that the casino will not add a significant number of cars to their roads. Others said they would like the city to get a monorail service that would transport people to and from O'Hare International Airport and the casino.

"The casino guarantees they won't pay taxes for years to come, just because of ancillary convention business," said Gary Mack, a spokesman for Rosemont Mayor Donald Stephens. "People get worried about traffic congestion and security. . . . I don't believe there will be any substantial impact."

Mack said the casino proposed by Emerald would have 1,200 gambling spots and probably could hold 3,000 people. The Allstate Arena in Rosemont, the former Rosemont Horizon, holds 20,000 people, and the Rosemont Convention Center and surrounding hotels can accommodate up to 50,000 conventioners.

"If anyone can handle traffic, it is the Rosemont Police Department," Mack said.

Frank Coconate, a resident of Chicago's Edison Park neighborhood on the Far Northwest Side, doesn't buy the arguments for the casino. A Democrat in a sea of Republican leadership in the 14th District, Coconate is contemplating another run at state Rep. Michael P. McAuliffe (R-Chicago).

He lost his bid to run for the House seat in the Democratic primary last year, campaigning largely on an anti-casino platform.

SEE CASINO, PAGE 2

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281A-CG-110121 SUB NC-18

Racing set to hit casino's jackpot

Rosemont boat subsidy
could outpace betting
at some horse tracks

By Douglas Holt and Ray Long
TRIBUNE STAFF WRITERS

When state lawmakers voted last spring to put a casino in Rosemont, they also dealt horse tracks like Arlington International Racecourse a cut of the riverboat's future profits.

But what was billed as a helping hand for an ailing industry is now likely to become a multimillion-dollar windfall. At some tracks, the state subsidy could surpass the take from on-track horse betting, a Tribune analysis shows.

Thanks to gambling law changes also approved by the legislature, business has been soaring for the nine existing Illinois riverboat owners this summer, far surpassing even the rosiest projections of the gaming industry and state officials just a few months ago.

As a result, the Illinois Gaming Board is now projecting that the Rosemont casino, when it opens in 2000 or 2001, will reap nearly 50 percent more than what was expected when legislators voted on the controversial gambling package.

Since the racing revenues will be based on the Rosemont take, the horse racing cash subsidy could surge to \$45 million a year or more, according to the Gaming Board's latest figures.

If current trends hold, "all the tracks will do better than pro-

ing on offenses involving small-time possession of drugs. It's time to debate whether beneficial use of prison resources. It's time to federal mandatory sentencing provisions that ated glaring inconsistencies in punishment offenses and stripped federal judges of the use discretion and common sense.

George Bush—or any other candidate for that be willing to take the risk of joining that om any perspective other than "lock 'em up w away the key."

put it another way: Under President George might young citizen George W. Bush have led off to prison?

t in Mexico

ity. That emboldened the opposition to begin ing presidential budget proposals—which be handled like papal bulls—and now to uestion Zedillo's record.

a also criticized Zedillo for not mentioning ering problems: the guerrilla war in Chiapas, month-old shutdown of Mexico's national y by a band of leftist students, and the reso- an approximately \$60 billion bank bailout g from Mexico's 1994-95 economic crisis.

those problems, Zedillo's popularity is at 60 lus, primarily because he has stabilized the That, plus the opposition's disarray—which ve the way for another PRI victory in next esidential election—makes the PRI's reaction a's criticism of the administration seem even of proportion.

ducted by the Mexico City daily Reforma a far wiser and more sober reaction by rank- Mexicans. About 46 percent of those asked of Zedillo's speech, but 75 percent cheered spirited—and entirely appropriate—ques- the president's performance.

Muammer Akgun

FALN terrorists

EVANSTON—The story "Jailed FALN activists considering offer" (Metro, Aug. 24) used words that were inadequate and misleading to characterize the FALN militants offered clemency by President Clinton. The report termed the convicted FALN felons "activists," "nationalists" and "prisoners."

In fact the "prisoners" are terrorists, a word your reporter and editors studiously avoided. The FALN felons were convicted of arms, explosives and seditious, conspiracy charges. They were proud and active members of a ruthless terror gang that killed six innocent people and maimed dozens of others in an effort to obtain through violence an objective that they could not achieve by democratic means.

John Tracy

We invite readers to share their thoughts with us by writing Voice of the People, Chicago Tribune, 435 N. Michigan Ave., Chicago, IL 60611, or sending via fax to 312-222-2598 or e-mail to TribLetter@aol.com. Include your name, address and phone number. The more concise the letter, the better the chances for publication.

Free activists

RIVER FOREST—Who can be surprised at recent revelations that the FBI, Bureau of Prisons and other law agencies have opposed President Clinton's offer to conditionally release the 16 imprisoned Puerto Rican nationalists? These are the same agencies that have long violated the human rights of political activists unjustly held throughout the United States. Now that the latest FBI coverup concerning the Waco, Texas, operation has come to light, that agency's credibility will hardly put it in a position to pressure an outgoing Clinton administration.

The tide had turned on this case when White House spokesmen finally acknowledged what many legal experts have argued for years: The harsh sentences imposed in this case simply had in no way fit the actual criminal convictions.

Clinton should now move forward and issue the full and unconditional pardon so long overdue for these unjustly imprisoned Puerto Rican nationalists.

Richard A. Dello Buono

Sociology professor
Dominican University

to death is surely a new low. In your Aug. 28 editorial "Shoo, fly, don't bother me!" you argue that the Delhi Sands fly must be unfit to survive because it can't survive having its habitat paved over by money-crazed developers. Of course this ignores the fact that the Delhi Sands fly is very fit indeed for a desert environment; it just doesn't do so well in strip malls. Unless the Tribune editorial board is able to survive for years in the parched mountains of Southern California, it shouldn't be so quick to play executioner.

Craig Segall

Buggy concerns

BARRINGTON HILLS—Your "Shoo, fly, don't bother me!" editorial was dead on the money. Scientists estimate there are 11 million species of life, of which only a million have been identified. They also estimate that 25 go out of existence every day. One can assume that 25 evolve into existence each day. I doubt if anyone wants to see the last bison or polar bear extinguished, but it would appear to be time to limit our concern of species to those that weigh at least one pound. Otherwise with 10 million more species to be identified, this will be going on forever.

Gerald F. Fitzgerald

281A-CG-110121 SUB NC-19

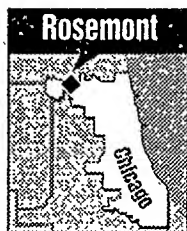
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Outdated massage law rubs village wrong way

By ROBERT C. HERGUTH
SUBURBAN REPORTER

Rosemont Mayor Donald Stephens recently discovered he was breaking a decades-old village law each time he went to his masseuse.

"Women aren't allowed to give men massages" in Rosemont, he said, referring to a local ordinance that for about 40 years has allowed only same-sex massages at businesses.



But the restriction—which was forgotten until village officials recently were approached by people interested in offering massages in Rosemont—was knocked from the books Wednesday.

The village board approved a measure that permits opposite-sex massages but includes new regulations aimed at preventing prostitution at massage parlors. Such businesses have yielded a number of prostitution-related arrests in recent years in the northwest suburbs.

"We had to bring it up to the moment," Village Attorney Peter Rosenthal said. "The [new] ordinance is intended to prevent massage parlors from serving as places of prostitution without preventing



Donald Stephens
No longer "breaking law"

legitimate massage parlors from operating."

The ordinance requires businesses offering massages to keep detailed records of clients and to build shower facilities and locker rooms, Rosenthal said. The measure also bans nude massages. He described the new regulations as safeguards that the village hopes will weed out businesses planning illicit acts in a town that hosts thousands of conventioners.

There are no massage parlors in town, but there are private and public health clubs offering massages.

"I understand I've been breaking the law," Stephens said with a smile as the topic was addressed by the board.

Also Wednesday, Stephens disclosed that a 450-room, multistory Omni Hotel is being planned west of the Rosemont Theatre on what is now a parking lot. Construction might start this fall, Stephens said, adding that a proposed casino and other entertainment projects should increase the need for hotel rooms.

Stephens also said he spoke recently with a company about building a bowling alley in the area.

He said he hopes eventually to link buildings in the entertainment district, creating more enclosed walkways and perhaps moving sidewalks.

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Description of Document:

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Date : 04/14/99
To : CHICAGO
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Case ID: 281A-CG-103441-TEL2 Serial: 54

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NEWS

Chicago firm handed casino insurance pact

BY ROBERT C. HERGUTH
SUBURBAN REPORTER

A Chicago insurance brokerage with a history of political connections got a lucrative no-bid contract from Rosemont on Wednesday to oversee a \$100 million policy for the construction of the Emerald Casino and other projects nearby.

Near North Insurance Brokerage probably will reap \$120,000 to \$150,000 in fees. The policy's premium will range anywhere from \$1.2 million to \$2.1 million, depending on the number of claims, officials said.

Near North was once co-owned by former Cook County Board President George Dunne, a Democratic heavyweight who hasn't been involved in the firm for years, CEO Michael Segal said. Former Ald. Terry Gabinski (32nd) was once an independent contractor for Near North but also is no longer associated with the firm, he added.

Near North already handles most other insurance business for the village through competitive bidding, which Segal said wasn't necessary this time because the contract involves "professional services."

"They may be 'politically connected' but they're also good," Village Attorney Peter Rosenthal said. "People tend to think they've gotten these large contracts just because of politics. . . . They wouldn't be getting this unless they had a high level of performance."

Near North has tapped Zurich American Insurance Group to provide a \$100 million policy during the construction of the casino, a 3,500-car parking garage addition, a multiscreen movie complex and various "commons" areas.

The policy will cover all contractors and subcontractors, who in smaller projects typically purchase their own insurance coverage and then pass on the costs through higher fees.

Having a comprehensive policy should eliminate fingerpointing that often arises with multiple policies, Rosenthal said.

The policy is expected to save at least \$1 million for the village and casino, which will split the cost of the policy.

The policy will cover a wide range of possibilities, from injuries to workers and pedestrians to the collapse of a structure.



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NEWS OSIA IL

Melrose Park Mayor Ronald Serpico will be the guest of honor when the Law Enforcement Lodge #1 of the Order Sons of Italy in America holds its annual dinner dance at 6:30 p.m. on Sept. 10 at Elmcrest Banquets, 7370 W. Grand Ave., Elmwood Park. Serpico, who will be honored as the lodge's Man of the Year, will share the spotlight with Law Enforcement Award winner Judge Joseph N. Casciato and Community Service Award winner Lou Rago.

"There will also be entertainment," says Terry Geraci, a retired Cook County Sheriff's chief who is president of the group. "We'll have comedian Chuck Salvo and performer Tino Vivacqua. This is our fourth event, and we always get a great turnout. We're honored to present plaques to these fine honorees."

The Law Enforcement Lodge #1 was formed in 1995 by officers of the Cook County Sheriff's Office, including Geraci and fellow officers Joseph Paglini and Michael Sprovero, with the assistance of former OSIA Illinois President Tom Barratta. The lodge is unique among OSIA lodges in Illinois in that it has its own clubhouse, where it holds its monthly dinner meetings.

"Right now, we're renting, and we've already done renovations on the place," Geraci says of the clubhouse, which is located in a storefront at 817 N. 23rd Ave. in Melrose Park. "It's 1,400 square feet, with 20 stools at the bar and six big banquet tables. It's convenient for everyone, as well as economical. Paying \$25 a person at a restaurant every month gets expensive, so our members volunteered to cook here. It works out well."

Italian Am

The IAPC was founded in 1994 to provide a political voice for the Italian American community. Our aim is twofold: to register every Italian-American citizen within the state of Illinois and to screen and endorse Italian-American candidates and others who represent our values and interests.

The IAPC board of directors is comprised of Italian-American leaders who are dedicated to promoting the interests of the community by actively seeking statewide political voice. The board can contain as many as 40 members, and includes several auxiliary committees. Individuals interested in becoming more active on the board or committee level are urged to call us at (708) 338-1026.

VOTER REGISTRATION

The IAPC has been recognized by the State Board of Elections as a bona fide organization to conduct voter registration drives. Preparation has been made to begin registering voters so that all Italian Americans have a political voice on a local, state and national level. Registration sites are being set up in commu-

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(Indicate page, name of newspaper, city and state.)

CHICAGO TRIBUNE
Chicagoland Final Edition
September 23, 1999
Page One

Date:
Edition:

Title: "Who's who betting on Rosemont"

Character:
or
Classification:
Submitting Office:

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Who's who betting on Rosemont

Insiders, celebs invest in casino

By Rick Pearson and Ray Long
TRIBUNE STAFF WRITERS

SPRINGFIELD—A roster of political insiders, their relatives and a smattering of celebrities apparently have hit the jackpot as investors in the new Rosemont casino, state documents showed Wednesday.

The list of people who have applied to buy into the gambling operation includes associates of Mayor Richard Daley, former Bears running back Walter Payton and several investors with close ties to Rosemont Mayor Donald Stephens and his political allies.

They include frequent donors to state Reps. Angelo "Skip" Saviano (R-Elmwood Park) and Ralph Caparelli (D-Chicago), two legislators who last spring brokered deals in the General Assembly to change state law and open the door to a casino in Rosemont.

The investors also include several African-American business people, including auto dealer Al Johnson, who made critical calls to black lawmakers to get them to support the legislation authorizing the Rosemont boat.

The price of a 1 percent share in the riverboat has been set at \$1.5 million, sources said, but the return on investment could be huge. The boat is expected to become the most lucrative casino in Illinois, taking in \$300 million a year after taxes.

The exact size of each shareholder's investment was not specified. Records filed with the Illinois Gaming Board showed only whether an investor would hold more or less than 5 percent interest in the boat.

The new investors add to an existing lineup of shareholders that include Eugene Heytowsky, chairman of Chicago's Amalgamated Bank, where U.S. Commerce Secretary William Daley, a brother of the mayor's, once served as president.

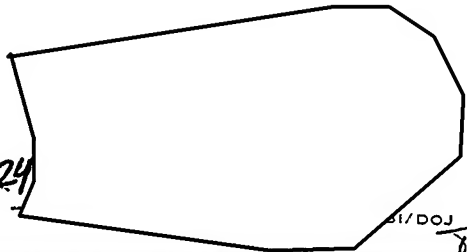
Kevin Flynn, who would become

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Casino

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chief executive officer of the new Emerald Casino, said politics did not play a role in selecting new investors.

"Nothing could be further from the truth," he said.

"We had people who were willing to risk dollars in an investment that has significant hurdles," said Flynn, whose family holds the largest stake in the Emerald. "Our obligation was to find minority shareholders."

Those new investors were needed to meet Illinois' riverboat gambling law, which set aside a percentage in the Rosemont opera-

tion for minorities and women.

Yet the 57 investors listed with the Gaming Board include prominent political and social personalities, including Sandra Ann Degnan, wife of top Daley adviser Timothy Degnan.

Timothy Degnan, a former Daley chief of intergovernmental affairs and a former state senator, was a longtime operative for the mayor's 11th Ward organization. Timothy Degnan, now in the construction industry, is still considered one of Daley's top advisers.

Reached at his home, Timothy Degnan said: "You're not going to get anything from us. We'll have no comment."

After years of opposing the expansion of riverboat gambling,

Daley said in April that he had decided to support Stephens' efforts to bring a casino to Rosemont. Daley and Stephens denied that any deal had been cut to persuade Chicago lawmakers to support a Rosemont boat.

Daley aides had no immediate reaction to the shareholder list, while representatives for Stephens said the Rosemont mayor had nothing to do with the selection of investors.

Asked about Timothy Degnan's ties to Daley, Flynn said: "I don't know a Tim Degnan." He added that he knew that "Sandra Degnan is a woman investor."

Records filed with the Gaming Board show that Sandra Degnan holds a less than 5 percent share

of the Emerald.

Another investor with less than 5 percent is Susan A. Leonis, a consultant for Rosemont, a member of the Chicago Transit Authority board and a friend of Stephens, Daley and Daley's wife, Maggie.

Leonis, who also has served as a deputy director of the Illinois Department of Transportation, said she bought her share from the Flynn family, who held a majority share of the shuttered Silver Eagle Riverboat Casino in East Dubuque before the legislature voted to transfer the Silver Eagle's license to Rosemont.

"I have an interest in the boat, and I think that anything beyond my saying that, you need to call the Flynn's," Leonis said.

Leonis added that her share of the casino was less than 1 percent. Despite the potential for a conflict of interest, Leonis said she had no plans to give up her consulting contract with Rosemont because she had been "told by lawyers that I don't have to."

Also listed as a new investor is tax attorney Robert Martwick, a Democratic township committeeman and an unsuccessful candidate for the legislature in 1996. Martwick is the brother of Richard Martwick, former Cook County regional superintendent of schools.

Johnson, a south suburban auto dealer, was a major fundraiser for the late Mayor Harold Washington as well as for former Mayor

Eugene Sawyer. Cook County Board President John Stroger, an ally of Daley's, enlisted Johnson to lobby for the casino bill among African-American lawmakers.

Athea Knowles, a business associate of Johnson's, also is on the investor list.

Several of the minority shareholders have ties to the banking industry, including Jacoby Dickens, chairman of Seaway National Bank and a prime supporter of Washington and Sawyer; Seaway President Walter Grady; and Ernest Ojeda, a Chicago McDonald's franchise owner who is also chairman of Pan American Bankshares, the holding company for a Hispanic bank.

Another investor in the Emerald is Arthur Smith, a supporter of Mayor Washington's and a former Chicago police sergeant who is owner of Art's Transportation Co., which has held contracts with the CTA.

Those seeking a stake in Rosemont casino

Other investors with less than a 5 percent share include Chaz Ebert, wife of movie critic Roger Ebert, and Elizabeth Lamb Lucas, wife of lobbyist and consultant Lawrence Lucas.

Payton, the Bears' Hall of Fame running back, has long sought an investment in the gaming industry. Neither Payton, who is awaiting a liver transplant, nor his representatives were available for comment.

Joseph McQuaid, a senior vice president with Emerald Casino and former interim administrator of the Gaming Board, said he met with more than 80 people interested in buying into the company after the legislation passed in late May.

"Everybody who called me was interviewed," McQuaid said. "Everybody who showed up early in this process were given opportunities to buy in."

Individuals who already owned stock in the gambling company diluted their original shares to make room for the new investors in the newly constituted Emerald Casino Inc., McQuaid said.

In May, lawmakers required 16 percent of the Rosemont boat to be owned by minorities and 4 percent by women. The provision was inserted after black lawmakers in the House refused to support the legislation.

The Gaming Board must approve the new shareholders, following an extensive background check.

Tribune staff writer Douglas Holt contributed to this report from Chicago.

The following is a list of Emerald Casino Inc. shareholders and applicants for ownership, as provided by the Illinois Gaming Board:

More than 5 percent:

Flynn, Brian J.
*Flynn, Donald F.
Flynn, Kevin F.
*Heytow, Eugene Perry
Ring, Donna

Less than 5 percent:

Bae, Myoung Hwa
Blackstone, Ronald
Blumenthal, Michael L.
Boscarino, Sherri (Trust)
Boutross, Joseph P.
Casini, Victor M.
Degnan, Sandra Ann
Dickens, Jacoby
Donnelly, Paul James
Douglas, Wayne John
*Duellman, Joseph P.
Ebert, Chaz
Flaherty, Maureen Susan
Flynn, Michael R.
Flynn, Patrick F.
Flynn, Robert W.
*Freudenthaler, Helmut
Gomez, Edward
Grady, Walter Edward
Hanley, Walter P.
*Hirsch, Cynthia
Johnson, Albert William
Knowles, Athea L.
Larson, Kevin Dean
Leonis, Susan A.
Levey, Barbara Ruth
*Love, Barton
Lucas, Elizabeth Lamb
Martwick, Robert Francis
McKeever, Lester Harvey
McMahon, John P.
McQuaid, Joseph
*Morris, Jeffrey W.

Morrissey, Joan Safran
Obermeier, Maureen M.
Ojeda, Ernest
Payton, Walter Jerry
*Pedersen, Peer
Peloza, Susan Ann
Rodriguez, Violeta Nina
Salamone, Joe
Scarpelli, Joseph Carmen
Shannon, Kathryn Veronica
Sisto, John Michael
Skibicki, Keith J.
Smith, Arthur James Sr.
Triffler, Mark Howard
Voutirtsas, George Peter
*Warren, Howard C.
*Wechsler, Jeffrey Bruce
*Wrobel, Robert M.
Zeman, Edwin M. (Bud)

*-Shareholders in the now-defunct Silver Eagle casino, whose license was transferred to Rosemont.

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Rosemont mayor takes swipe at lawsuit threatening casino

By Michael Higgins
TRIBUNE STAFF WRITER

The mayor of Rosemont lashed out Wednesday at Lake County investors whose lawsuit challenging a new state gaming statute threatens to delay or block the planned casino in his village.

Meanwhile, attorneys representing the Illinois Gaming Board asked a Lake County judge to dismiss the lawsuit.

Speaking after a meeting of the Rosemont Village Board, Mayor Donald Stephens said the investors of Lake County Riverboat L.P. are simply "rich guys who want more money."

He mocked the group's contention that the state law, which paved the way for a casino in Rosemont, should be overturned as improper special legislation, favoring one group in violation of the state constitution.

Stephen noted that he isn't a lawyer, but said: "Every bill that's down there [in Springfield] is special legislation. Every damn bill."

The Lake County group, which hopes to build a casino in Fox Lake, contends that the law effectively forced the Gaming Board to hand rival Emerald Casino Inc. the right to build a casino in Rosemont.

In its motion Wednesday, state attorneys defended the law, arguing it was proper and rational for the state legislature to want to get

Emerald Casino operating in a new location. The company had closed its boat in East Dubuque, leaving its license in limbo and not producing any revenue for the state, the attorneys wrote.

The state also contends that Lake County Riverboat doesn't have standing to challenge the law because it never had a gambling license and didn't exhaust all its appeals before the Gaming Board.

Stephens predicted that Lake County Riverboat general partner Glenn Seidenfeld won't win a casino license, but will win enemies among the state and local governments who stand to share millions in Rosemont casino revenue.

"If Seidenfeld wins, what does he win? Does he get a casino?" Stephens asked.

At most, the mayor reasoned, the Lake County group can win the right to go back before the Gaming Board to ask for a license. "Does he really believe ... the Gaming Board is going to look kindly on his application?" Stephens asked. "Does he think he's going to engender trust and good feelings in the legislature? ... If he wins, he gets nothing."

Lake County Riverboat's attorney, Michael Dockterman, said Wednesday that the investors believe the Gaming Board would treat them fairly.

"If we lose, at least we lose fair

and square," he said.

Emerald Casino is already working on the Rosemont site between Bryn Mawr and Balmoral Avenues, east of the Tri-State Tollway. The company has excavated the pond that will hold the boat and is set to start pouring the concrete bottom by early next week, Stephens said.

The Village of Rosemont, which has asked to join the lawsuit on the side of the Gaming Board, has spent \$20 million to acquire land for the casino, a planned entertainment complex with movie theaters and a parking garage, Stephens said. It also has agreed to pay \$1 million in premiums on an insurance contract to cover all of the new construction.

The gambling statute says a company fitting Emerald Casino's description could move to a new location with approval of the local community, and "when the community accepts, the Gaming Board shall issue the license," Stephens said, recounting the wording of the law he helped push through the legislature. "Not may—shall. All I can say is: Issue the gosh-darn license."

The effort is on hold after Lake County Circuit Judge John Goshgarian issued a temporary restraining order that prevents the Gaming Board from acting on Emerald Casino's request to operate in Rosemont.

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Chicago Tribune

News from
THE SOUTHWEST SUBURBS
with reports
from around the region

Metro Southwest

WEDNESDAY, DECEMBER 1, 1999

• Vegas casino boss to buy Empress

By Douglas Holt
TRIBUNE STAFF WRITER

Gaming Board OKs sale of Joliet riverboat

The Illinois Gaming Board Tuesday approved the sale of the Empress Casino in Joliet to a former Las Vegas casino boss whose family has been a fixture on the Nevada gambling scene despite brushes with the law and a link to mobsters.

The \$609 million deal transfers control of the Joliet Empress and a sister riverboat

in Hammond, Ind., from an Illinois-based investor syndicate to Binion's Horseshoe Gaming L.L.C., which also owns gambling boats in Louisiana and Mississippi.

The firm is headed by Jack Binion, who until recently ran the family owned Horseshoe Casino in Las Vegas, famed as the birthplace of the annual

World Series of Poker.

The Horseshoe was founded in the 1940s by Binion's father, Benny, who began his career as an illegal bookmaker in Texas but flourished in Nevada until serving prison time in the 1950s after convictions on state and federal tax-evasion charges.

Control of the casino eventually passed to Benny Binion's

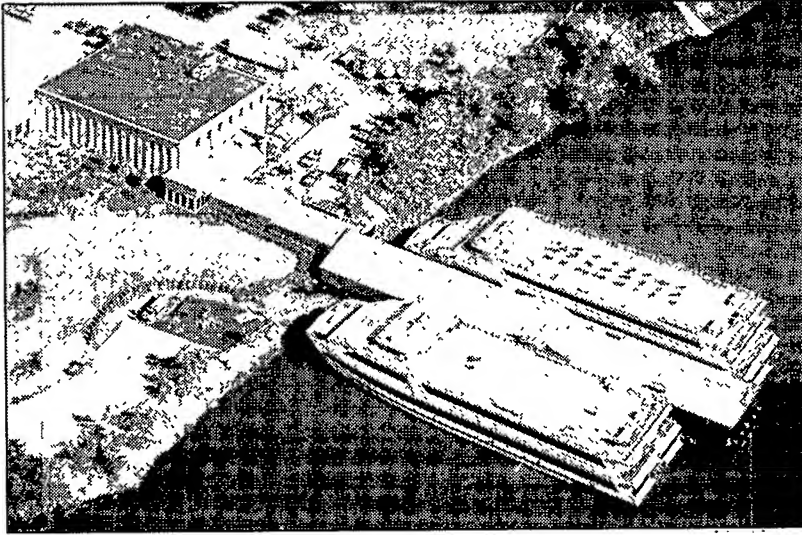
offspring including Jack and a brother, Ted, who in 1998 was stripped of his gaming license by Nevada authorities after a conviction for heroin use. Nevada officials also objected to Ted Binion's coziness with several reputed underworld figures, most notably Herbert Blitzstein, a slain foot soldier known as "Fat Herbie" in the gang of the

also murdered Chicago mobster Tony Spilotro.

Later that same year, Ted Binion was found dead in Las Vegas after being forced to ingest an overdose of heroin. His former stripper girlfriend and an associate of hers have been charged with his murder and are awaiting trial.

The Illinois board voted 3-1, with one member abstaining, to

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Tribune photo by John Smierciak/Sun Aero Helicopters

The Illinois Gaming Board Tuesday approved the sale of the Empress Casino in Joliet to Binion's Horseshoe Gaming L.L.C.

Casino

CONTINUED FROM PAGE 1

approve the takeover of the Empress by Binion. Afterward, as a cadre of his lawyers and public relations people tried to hustle him into an elevator, the portly, balding Binion paused briefly to distance himself from the much publicized troubles of his kin.

"If you read all those hokey articles, they never mention me," Binion told The Tribune. "There's me and that's them. Three separate people."

Indeed, the misdeeds of Binion's close relations never came up during the Gaming Board's public debate of the sale Tuesday. That would have been unfair, explained Robert Vickrey, the board chairman who voted for the ownership transfer.

"The sins of the father and the sins of the brother are not the sins of Jack Binion," said Vickrey, who voted in favor of the deal.

Jack Binion, Vickrey said, "has disassociated himself from all family members to the extent he has only 1 percent of the Las Vegas operation." A sister of Binion's now runs the original Horseshoe.

Despite such assurances, the vote was not unanimous. Gaming Board Administrator Sergio Acosta, a former assistant U.S. attorney who was backed by Gov. George Ryan when he took the post in July, was not asked for his recommendation as is customarily done.

Vickrey said that staff members had recommended delaying the



Jack Binion

group, led by Empress CEO Peter Ferro, which opened the Joliet Empress in 1992 and Hammond Empress in 1996 for an initial sum of \$24 million.

Though board members didn't bring up Binion family problems before they voted, Anita Bedell, an anti-gambling activist, did raise the question of Ted and Bennie Binion's alleged mob ties during a public comment period. She cited board rules requiring that any applicant to run an Illinois casino must demonstrate his or her "background, reputation and associations will not dishonor or harm the reputation of, or result in adverse publicity for the state of Illinois and its gaming industry."

Bedell noted that the movie

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Another judge steps down in casino case

By Michael Higgins
TRIBUNE STAFF WRITER

Groups fighting over the future of the state's gambling law and a planned casino in Rosemont are on a losing streak when it comes to getting a judge to hear their case.

They'll move to their fourth judge this week, after Lake County Circuit Judge Christopher Starck stepped down, citing friendships with people who have a financial interest in the outcome.

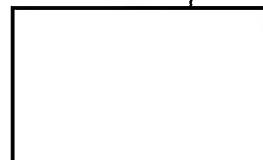
Starck didn't name the friends and declined to elaborate Tuesday. He told lawyers that although he felt he could judge the matter fairly, he didn't want to risk creating a public perception that the case wasn't being heard by an impartial judge.

Lake County Riverboat, a group of investors who want to build a casino in Fox Lake, brought the suit in October in an attempt to get the state's new gambling law declared unconstitutional.

The case goes to Lake County Circuit Judge Charles F. Scott. Scott, a veteran judge first elected in 1984, is known as an advocate for fast-moving court dockets. That may fit well with the posture of the Lake County Riverboat case. All of the parties have spoken in favor of resolving the issues quickly. Construction has already begun on the planned casino-entertainment complex in Rosemont.

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Chicago Tribune

MetroChicago

WEDNESDAY, DECEMBER 8, 1999

News from
CHICAGO
and the North
and near West Suburbs

Casinos fold on 24-hour operation

By Douglas Holt
TRIBUNE STAFF WRITER

Gambling foes claim victory as industry shifts focus

Citing a contentious climate these days for gambling, three Illinois casino managers said Tuesday that they have made an about-face and withdrawn requests for 24-hour gambling.

The Grand Victoria in Elgin, Harrah's Casino in Joliet and the Casino Queen in East St. Louis all had asked the Illinois Gaming Board in the past three months for the expanded hours.

But in individual letters delivered to the Gaming Board last week, the casinos rescinded the

requests.

"It was causing much more negative comments than it was worth," said Craig Travers, general manager of the Casino Queen. "It had seemed to create a focal point for the people who are not in favor of gaming."

Gambling opponents called the change a significant victory and said they would redouble efforts on behalf of a House Republican proposal to ban automated teller machines, credit-card advance machines

and short term, interest-free riverboat loans. A national commission on gambling recommended earlier this year that states outlaw ATMs at casinos.

"The heat's just going to get worse," said Rev. Tom Grey, executive director of the National Coalition Against Legalized Gambling. "This is the beginning of a shift. It shows me that the politics of this are in our favor right now."

Casino operators see ATM and credit issues, on which Gov.

George Ryan has generally sided with them, as much more of a threat than the failure to gain 24-hour gambling.

"There are far, far greater issues we need to deal with than this one at this time," said Tom O'Donnell, vice president and general manager of Harrah's and president of the Illinois Casino Gaming Association, a trade group representing eight of the state's nine casino operators.

"We'd like to seek some com-

mon ground with legislators," said Pete Dominguez, general manager of the Grand Victoria. "Casinos are too politically hot right now."

Testifying at an October board meeting, gambling opponents decried non-stop gambling as a policy that would put compulsive gamblers at greater risk by removing one daily break in the action. Drunken-driving activists said it also would put more drunken drivers on the roads.

Last summer, state lawmakers removed the requirement that

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Casinos

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riverboat casinos cruise, an idea originally sold as a means to prevent gambling from getting out of hand. With the advent of dockside gambling, opponents said 24-hour operations would turn casinos into non-stop saloons, open for business long after local bars had shut down.

The Gaming Board is studying the issue of whether the state should limit when casinos are allowed to serve alcohol.

Casino operators had pitched the idea not as a profit-generating move but more as a means to make operations more efficient. Most operate 22 hours per day, requiring a cumbersome process of shutting down for two hours daily. Also, a non-stop schedule would allow casino managers to staff the boats for three standard eight-hour shifts.

The decision to back off on 24-hour gambling came after a meeting of the casino trade group, where the overall political context of casinos was taken into account.

The industry has generated a fair amount of controversy recently, with a bitterly contested plan to put a new casino in Rosemont and a protest Tuesday in front of the James R. Thompson center during which placard-toting protesters watched a man, billed as Gov. George Ryan in a Santa suit, pull a giant cardboard casino license from a red velvet bag.

Tribune staff writer Bradley Keoun contributed to this article.

State may halt work on casino in Rosemont

By Douglas Holt

TRIBUNE STAFF WRITER

The Illinois Gaming Board threatened Tuesday to issue a cease-and-desist order to block the owners of the proposed Emerald casino in Rosemont from proceeding with construction begun even though they have yet to receive a state gaming license.

Regulators
change course
on allowing
construction
without their
prior approval.

The Emerald, controlled by former Waste Management Inc. executive Donald Flynn and with a laundry list of politically connected shareholders, once was considered a shoo-in to get the Rosemont license after the legislature approved a new casino for the northwest suburb last spring.

But a court injunction, issued after Lake County competitors for the license challenged the law in court as unconstitutional, has delayed final board action on awarding the license.

Even so, ground has been broken on the Emerald, and company officials on Tuesday said they have spent up to \$10 million on construction to date.

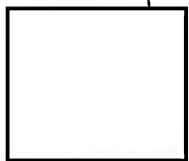
In a resolution adopted by a 4-0 vote Tuesday, the board gave Emerald officials until March 15 to submit a written memo explaining "the reasons the company has failed to comply with the requirements set forth under the Riverboat Gambling Act of

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Casino: Work might be suspended on a Rosemont riverboat for lack of a state board's OK.

CONTINUED FROM PAGE 1

Illinois and the reasons the company should not be required to immediately cease and desist on the construction in Rosemont."

Gaming Board rules state that casino licenseholders must obtain prior formal board approval whenever entering into written or oral agreements to acquire property worth more than \$1 million. Another rule specifically requires casino licenseholders to inform the board of any construction contracts.

Until now, Emerald officials had failed to inform the board of its arrangements with contractors to begin construction at the casino site. The board never signed off on the construction, which board member Joseph Lamendella said had prompted quizzical telephone calls from the public asking why the Rose-

mont casino was under construction without state approval.

Work already has been completed on an artificial pond in which the riverboat—in reality a stationary barge—will float. A foundation for a pavilion outside the barge has been poured. Steelwork has begun on the boat.

"We're adding structural steel to the hull of the barge," said Michael Ficaro, a lawyer who represents the Emerald. "But we haven't moved very far."

He said the work completed thus far amounts to less than 10 percent of the total project.

The board's action represented a dramatic shift in outlook since the resignation last month of Chairman Robert Vickrey, who had declared publicly that he had no objection to the Emerald construction work, despite the lack of formal approval for the casino.

But Vickrey's successor, Gregory Jones, said Tuesday that the magnitude of the work under way in Rosemont had raised concerns.

"If you've spent \$10 million, it's more than just a hole in the ground," he said.

Privately, Emerald officials

grumbled that the board's latest action ran counter to past practice in which the board had allowed casino construction to begin before formal approval.

A casino for Rosemont was authorized by the General Assembly last year in a law that also stipulated the facility should open its doors within 15 months of the time the board issued a license for it, Ficaro noted. Speaking to the board before the vote, he contended that Emerald officials were simply trying to comply with the deadline by pushing forward with construction before they obtained a license.

But board member Sterling "Mac" Ryder responded that the 15-month deadline kicks in only after the board approves the license for the boat.

"That really is not justification for rushing to judgment," he said.

Gary Mack, a spokesman for Rosemont Mayor Donald Stephens, said the city took no position on the Gaming Board's action.

"Obviously, Rosemont would like to see the casino built. There's no question about that," he said. "But we realize there are legal hurdles to be sur-

mounted."

Those issues involve pending legal challenges on two fronts.

In a suit challenging the constitutionality of the gambling law, Lake County Riverboat, a rival group of investors, claims that the legislation was improperly written to assure that the Emerald group would win the license for the Rosemont casino—expected to become the state's most lucrative gambling operation, with projected revenues of \$266 million per year.

Meanwhile, California billionaire Marvin Davis has hired former U.S. District Judge Susan Getzendanner and other top-flight Chicago lawyers to pursue a fraud suit in federal court against the Emerald owners.

Davis' suit claims that Flynn and his son, Kevin, reneged on a 1998 agreement to give Davis nearly 40 percent of the casino's shares in exchange for \$30 million and help in getting legislative approval for the Rosemont casino. The deal also was supposed to cede 20 percent control of the casino to Arlington International Racecourse owner Richard Duchossois, according to the suit.

Duchossois, whose racetrack is targeted to receive a cut of

profits from the Rosemont casino under the gambling law, has refused to confirm or deny his involvement in the alleged Davis deal.

Davis is seeking \$250 million in damages from the Emerald group.

Gaming Board officials say that if the law authorizing the casino is struck down, the proposed \$425 million purchase of a boat in Downstate Metropolis by Harrah's Entertainment Inc. could be affected.

In addition to adding a license for Rosemont, the law included a provision that for the first time would allow casino operators to run more than one gambling facility in the state.

Harrah's owns a casino in Joliet, so it would not be able to add the Downstate boat if the old rules are reinstated.

The board was scheduled to vote on the acquisition on Tuesday, but it delayed action because the gambling law's fate is in question. It asked Harrah's officials to draw up a contingency plan to put the boat under temporary state control should the law be overturned.

Tribune staff Writer Michael Higgins contributed to this report.

MARCH 2, 2000

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Capparelli campaign boasts heavy funding

By ALAN SCHMIDT
STAFF WRITER

Illinois Rep. Ralph Capparelli, D-13th, who finished off 1999 with a strongly fortified campaign war chest may be challenged in the 2000 general election by a Republican rival who said she has "zero dollars" as she heads into the March 21 primary.

Debra Lynn Sloan said Feb. 17 she has been left out in the cold by Illinois Republican leaders and is hoping to receive a small contribution from the GOP.

Though Sloan said she received encouragement to run from state Reps. Rosemary Mulligan, R-55th, and Lee Daniels, R-46th, to enter the race, she said she was told not to expect any help to arrive until after the primaries.

Neither Sloan nor Skokan filed campaign disclosure reports with the State Board of Elections.

Skokan could not be reached for comment.

Capparelli, the dean of the House of Representatives, has been in office since 1971. He had a total campaign fund of more than \$830,000 as of Dec. 31.

Itemized contributions and transfers flow into two committees: Citizens for Capparelli and Friends for Capparelli.

The top 10 contributions and transfers to Citizens for Capparelli last year were:

- \$7,500 each from the Donald E. Stephens Committeeman Fund, Rosemont; Central States Joint Board Political Action Committee, Chicago and the Illinois Bank Political Action Committee, Chicago.

- \$5,001 from Capital One Realty, Chicago.

- \$5,000 each from Bomark Cleaning Service Inc., Rosemont; Great American Home Sales Inc., Chicago; O.G.

Services Corp., Rosemont; Omega Demolition Corp., Streamwood; Rosemont Exposition Services Inc., Rosemont.

- \$2,500 from Harry Pappas, executive director of the Allstate Arena and Rosemont Theatre.

Friends for Capparelli received \$550 in contributions last year.

Rosemont money

Though Rosemont is not in his district, about \$34,500, roughly 30 percent of Capparelli's total contributions and transfers, came from businesses and individuals that are either from or do business in Rosemont.

Bomark Cleaning is owned by Stephens' son Mark Stephens.

Mark Stephens is a partner in the Rosemont law firm of Storino, Ramello & Durkin,

which was also a major contributor.

Grant H. Bailey and David D. Houston, both of Rosemont Exposition Services, gave individual contributions of \$1,500 each.

Money has also flowed back to Rosemont political organizations and businesses from Capparelli's two committees.

Throughout 1999, \$16,649.58, 23 percent of expenses and transfers out, has gone back to the suburb.

For example, \$1,500 went into the Donald E. Stephens Committeeman Fund, \$410 to the Women's Auxiliary of the Regular Republican Organization and \$310 to the Rosemont Voters League. Expenses for fundraisers and banquets held there included: \$5,334 to Rosemont Restaurant & Banquets, \$3,855.58 to Rosewood Restaurant & Banquets and \$4,000 to Rosemont Catering.

Capparelli, who said he not

a gambler himself, is a strong proponent of gambling legislation. He helped push the 1999 Illinois Gaming Act through the House, paving the way for a Rosemont casino.

What law allows

The law allows a dormant riverboat gambling license — originally granted for an East Dubuque casino — to be transferred to Cook County, removes a provision that requires riverboat gambling to be conducted on a navigable river or stream and expands the definition of a riverboat to include a permanently moored barge.

Capparelli told Pioneer Press in May 1999 that he supported the legislation because of the potential take for state public schools.

He said Rosemont would be the best location for a casino. (Continued on page 8)

■ Capparelli *Continued from page 3*

sino.

Capparelli said he has many longstanding relationships with Rosemont business and political leaders. Capparelli and Stephens, Rosemont's powerful Republican mayor and Leyden Township committeeman, go back about 30 years and are long-time personal friends, he said.

He said he grew up on Higgins Avenue and remembers when there was nothing but garbage dumps where Rosemont is now.

He has watched as Rosemont has developed over the years and called what Stephens has done there "a miracle."

Political Action Committees have contributed to Citizens for Capparelli and Friends for Capparelli to the tune of \$33,050, including \$12,100 from union PACs and \$4,300 from police and fire PACs.

Other organizations representing specific interests have also given to his campaign committees such as \$2,000 from the Illinois State Medical Society Political Action Committee and \$1,000 each from Arlington International Racecourse, Philip Morris Management Corp. and the Illinois Community Currency Exchange Political Action Committee.

Though many of the contributors have their interests in mind when they direct

money to a political candidate, Capparelli said he does not take campaign contributions into account when he casts his votes. He said he votes independently, going against measures backed by his own party if he does not agree with the legislation. He has consistently voted for tax freezes over the years and stood up to Mayor Richard J. Daley in the 1970s.

For campaign reform

Capparelli said he votes for every campaign reform measure that comes up including the one that put campaign disclosure documents candidates file with the state Board of Elections on the Internet.

Contributions are necessary because campaigns are expensive and the cost of running over the years has gone up, he said.

Mailings, the lifeblood of many political campaigns, are increasingly costly because of postage rate hikes. Competitive races demand more money.

He is uncontested in the 2000 primary race and did not have opposition in the 1998 general election.

Capparelli said he did not have to dig very deep into his campaign war chest in 1998 for himself, but his committees transferred money out to other candidates including \$20,000 to support Democratic

House leader Michael Madigan.

The 1996 election was a different story altogether. Capparelli said he ran a tough campaign and spent about \$200,000 to retain his seat.

Citizens for Capparelli's total expenditures in 1999 were \$59,829.51.

The biggest expenditures for Citizens for Capparelli included \$6,159.27 to J.D.R. Advertising Products in Chicago, \$5,224.46 to G.M.A.C. Finance for the lease of a vehicle, \$2,555.56 to Elan Financial Services in Milwaukee, Wis., for Christmas and wedding gifts.

Friends for Capparelli had total expenditures last year of \$11,817.21.

Some of the major expenditures included \$1,000 to the 41st Ward Regular Democratic organization — for which he is committeeman — and \$500 to the Cook County Regular Democratic Organization.

Much of the money that flowed out from both committees went out in the form of donations and for community organizations and churches including, \$750 to Norwood Park Home, \$500 to the Illinois Police Association, \$400 to the Polish American Foundation, \$300 to St. Juliana Church, \$200 each to St. Thecla Church, the Norwood Park Historical Society, the Norwood Park-Edison Park House and Garden Association and the Swoboda Family Fund.

Lake casino group takes appeal to t

Investors want suit on own turf

By Michael Higgins
TRIBUNE STAFF WRITER

Lake County investors who want to block the planned casino in Rosemont asked the Illinois Supreme Court for help Thursday, continuing a battle to have their legal challenge to the casino heard on home turf.

Attorneys for Lake County Riverboat asked the court to overrule a lower court's decision that would move the group's lawsuit to Cook County.

The Supreme Court will likely decide in the next three months whether to hear the appeal, said Michael Dockterman, attorney for Lake County Riverboat. If the court does take the case, it could be months more before it rules.

Each side to the dispute has denied it is trying to gain an advantage by having the suit heard in its home county. Lake County River-

boat filed suit in October against the Illinois Gaming Board. The investor group wants declared unconstitutional the state gambling law that was passed last year.

The group contends the law violated the state constitution's ban on "special legislation" by giving a politically connected rival, Emerald Casino Inc., the right to renew its gambling license and move to a potentially lucrative site in Rosemont.

Lake County Riverboat attorneys say the suit should be heard in Lake because that's where the gambling

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Cook fund may see a casino windfall

Courts, police would get revenues

By Michael Higgins
TRIBUNE STAFF WRITER

Like other spread-the-wealth provisions of the state's new gambling law, a little-known fund designed to benefit the criminal justice system in Cook County could be worth millions of dollars more than anticipated, as a result of the success of dock-side gambling.

If the now-stalled casino in Rosemont is built, Cook County officials stand to gain more than \$7 million

new riverboat casino would be, Beary said. "Anytime that you have a large venue, whether it produces traffic or a need for crowd control ... there are attendant costs. The objective here was to make sure that costs the county would incur would be covered."

Beary said it was too soon to know whether those costs, including extra burdens on law enforcement and the courts, would approach an estimated \$7 million, but

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Rosemont mayor berates panel for delay on casino

Project should move ahead, Stephens says

By Douglas Holt
and Michael Higgins

TRIBUNE STAFF WRITERS

Rosemont Mayor Donald Stephens lashed out at the Illinois Gaming Board Wednesday, claiming that the panel could push forward with a long-delayed casino project in the northwest suburb despite challenges in federal and state courts.

"The Gaming Board, rather than administering the law, is playing legislative body or judicial body where they're going to interpret the law," Stephens charged at a meeting with the Tribune's editorial board. "Unfortunately, you've got seven lawyers, and nobody's making a decision."

Gaming Board Chairman Gregory Jones called Stephens' frustration "understandable." But he said the board was told by Cook County Chief Judge Donald O'Connell that it would be "improvident" for the board to move forward while a suit brought by a rival group of casino investors is pending.

Even if the board planned to approve the casino, lawyers for the ri-

val group, Lake County Riverboat LP, have said they would likely seek a court order barring the action.

Delays in the Emerald Casino project in Rosemont have a direct bearing on the suburb's bottom line. Acting on the assumption that the project would win quick approval, the village started construction last year on a \$40 million parking garage to accommodate the casino. Rosemont is supposed to be reimbursed by Emerald, but with the casino held up, Emerald won't pay for the garage, he said.

"In the meantime, we're getting like this," Stephens said, clapping his hands around his neck. "It's getting to the point where we're going

to be in litigation with Emerald, probably with our suppliers... because we're going to have to stop paying."

Stephens was at the center of furious lobbying efforts last year to change state law to put a casino in Rosemont. Having successfully brokered a deal for the casino in Springfield after a decade of effort, he now finds his long-sought project stymied by lawsuits and the five-member Gaming Board.

The Gaming Board is scheduled to discuss the Rosemont matter later this month.

Stephens complained that the board, under former Chairman Robert Vickrey, had led Emerald to believe the company could begin

building the casino late last year.

Shortly after Vickrey resigned under pressure from an unrelated case in January, the board demanded that Emerald defend its decision to start building the casino before it had been approved.

Emerald officials voluntarily ceased construction in February.

"The Gaming Board... knew there was a casino being built," Stephens said. "All of the sudden, the Gaming Board says, 'Oh my God, are they building a casino out there? Now all of the sudden, we're going to get pure as the driven snow.'"

After a Village Board meeting earlier Wednesday, Stephens labeled the Lake County group's law-

suit an "abuse of process."

"Now they're going to the Supreme Court. Isn't that wonderful?" he quipped. "It's nothing other than extortion. If they win... they don't get a casino, they don't get a license, they get nothing."

Michael Dockerman, attorney for Lake County Riverboat, said the statute that cleared the way for a casino in Rosemont clearly runs afoul of the state constitution. He argued that the law singled out Emerald Casino for the right to renew the state's 10th and final gambling license, violating the state's ban on "special legislation."

"No judge could ever say we were groundless" in filing the suit, Dockerman said.

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Rejecting higher bid, CTA picks Daley ally

CTA DEVELOPMENT SITE



SUN-TIMES

BY DAVID ROEDER
BUSINESS REPORTER

The CTA board sold coveted Lincoln Park property Monday to a politically powerful development team that agreed to pay less money and build more housing units than a competitor proposed for the site.

The agency accepted a \$14 million offer for 2684 N. Clark, once the home of a bus garage. The winning bidders, who include partners with ties to Mayor Daley and the CTA's chairman, want to build more than 160 units on the 3.7 acres.

Another group offered \$20 million and planned 109 units for the already dense neighborhood. A lawyer for the group, Bill Singer, called the CTA's decision "unconscionable," and said the agency's staff lied in stating his clients didn't meet bid requirements.

Singer said he doesn't contemplate suing over the decision. "I think they have wide discretion to commit folly," he said.

CTA officials said the higher bid was rejected because it would have left the

agency liable for environmental cleanup costs at the site. The winning \$14 million bid assumes that liability.

"Mr. Singer and his group had more than ample opportunity to make their case, failed to do so and, therefore, were disqualified," said CTA President Frank Kreusi.

The \$14 million bidders were Bruce Abrams' LR Development Co.; Ron Shipka's Enterprise Development Co.; Harlem Irving Cos., owned by Michael Marchese, and Sunrise Assisted Living Inc. Various developers have estimated the cost for environmental work on the property, where gas and oil seeped into the soil for nearly a century, at \$1 million to \$2 million.

Abrams and Shipka have been partners on other developments with Habitat Co., where CTA Chairman Valerie Jarrett works as an executive vice president. Marchese is a frequent dining companion of Daley's and has interests in other high-profile land deals that require city assistance.

The higher bid came from a group including W. Harris Smith, principal of

Turn to Page 50

Continued from Page 47

Smithfield Properties LLC, and architect Larry Booth. Singer said the CTA rebuffed his clients' attempts to revise their bid to \$18 million and assume the environmental cost.

Kreusi said the CTA cannot negotiate bids. It did, however, negotiate a final deal with the winning bidders that calls for the price to be lowered if the city places new zoning restrictions on the development.

Marchese, who could not be reached for comment, benefited from a separate decision the CTA board made Monday. For \$3.29 million, the agency sold the city land at North and Cicero that will be a new site for Cub Foods and Old Navy. A spokeswoman for the city's Planning Department said Marchese will get title to the land, but didn't know how much Marchese will pay.

Regarding the Clark Street land, Shipka said he took advantage of language in the bid documents allowing more housing if some is allocated to seniors. He said his proposal calls for 69 units for assisted living and the rest condominiums and single-family homes.

Tuesday, October 19, 1999

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Chicago Sun-Times

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Gaming board grills mayor over casino

BY CHRIS FUSCO
SUBURBAN REPORTER

When Rosemont Mayor Donald E. Stephens was invited to the Illinois Gaming Board's headquarters last week, he was surprised to find a court reporter and video camera.

Stephens wasn't on trial. But the board's top administrator, attorney and investigator grilled him for nearly two hours about his role in bringing a planned gambling barge to his community.

The interview Friday touched on subjects including Stephens' efforts to bring casino gambling

to Cook County and Rosemont's lease with a casino developer.

A former FBI agent asked him about his "personal associations."

"They focused mainly on how the legislation got passed, which I don't think is in their purview," Stephens said Tuesday. "But if they want to ask, they can ask."

Gaming officials declined to talk about the interview, but it shows they are moving forward with plans to consider the casino at their Oct. 17 meeting.

At the last meeting, Sterling "Mac" Ryder questioned Rosemont's relationship with Emerald Casino Inc., which

wants to move its inactive gambling license from East Dubuque to I-294 and Balmoral Avenue.

Stephens said he was happy to answer the questions.

"From Day One, I have preached to everybody around me, 'With this casino, there will be an investigation,' " Stephens said. He warned everyone to be "pure as the wind-driven snow, because they're going to be looking in your armpits. And they are, which is fine."

Stephens told gaming board administrator Sergio Acosta, attorney

Jeanette Tamayo and lead investigator Jim Wagner he didn't care who owned the casino, as long as it ran like a "first-class operation."

Wagner, a former FBI agent, questioned Stephens about his personal associations. Rumors linking Stephens to organized crime have swirled for years but never have been substantiated.

Stephens said he denied having dealings with the people Wagner brought up.

Stephens said he hopes the board will take action this month. Rival

casino developers have asked the Illinois Supreme Court to block the vote, saying it should wait until a lawsuit they've filed is resolved.

Lake County Riverboat L.P. filed suit a year ago, claiming state lawmakers passed an unconstitutional law giving only Emerald the right to have a casino in Cook County.

"If I was on the gaming board, that would motivate me to call a meeting immediately and approve the damn license," Stephens said. "It's a stall. . . . Their whole shtick is delay."



Donald Stephens
Rosemont mayor

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Casino-foe Democrat is out of the money

By Douglas Holt
TRIBUNE STAFF WRITER

With Democrats fighting this fall to hold their slim majority in the Illinois House, party leaders might be expected to back a swing district candidate like Frank Coconate with gusto and gobs of cash.

Instead, many are shunning him like a political leper while all but cheering for the re-election of Rep. Michael McAuliffe, Coconate's Republican foe in the largely blue collar 14th Legislative District on the Northwest Side and parts of nearby suburbs, including Rosemont.

The contest between Coconate (pronounced Cocoh-not-ee) and McAuliffe is only one of dozens of legislative fights this year, but it crystallizes how money and might sometimes even trump partisanship in state politics. Coconate's candidacy has been caught in a vortex of casino politics and the influence of Don Stephens, the Rosemont mayor who runs a powerful, financially flush political machine that calls itself Republican but cozies up to Democrats as well.

Coconate opposes plans to put a new gambling boat in Rosemont, which has landed him in hot water with Stephens. Coconate, who netted 74 percent of the vote in an energetic primary battle last March, contends Democratic leaders are punishing him for offending Stephens.

"It's like I have the plague or something," Coconate griped. "I've gotten zero money, zero support."

House Speaker Michael Madigan (D-Chicago), who last year presided over legislation to put the casino in Rosemont, this year is directing millions of dollars in party funds, campaign workers and strategists to targeted races around the state—but not to Coconate's campaign.

One Democrat benefiting from central party support is Mary Beth Tighe, a political newcomer mounting a long-shot challenge to Rep. Rosemary Mulligan (R-Des Plaines), a battle-tested four-term Republican whose district includes part of Rosemont. In addition to mailings paid for by the party, Madigan has lent a House leadership staffer to assist Tighe's campaign.

Mulligan charges that high-level interest in her opponent is connected to her vote against the casino, a vote that caused Stephens to withdraw his support for Mulligan.

Democratic officials deny that pushing hard for Tighe, or ignoring Coconate, had anything to do with the casino. Rather, they say Mulligan is considered a shoo-in for re-election, while Mulligan is vulnerable on issues such as gun control. Such strategic decisions are routine, they say, as Democrats work to retain a 62-56 majority in the House a year before political boundaries are redrawn to reflect population changes found by the U.S. Census.

But top Republican operatives say the casino matters. They say Democrats are steering clear of Coconate to avoid a costly fight with Stephens, whose Democratic ties are so strong that he regularly hosts Madigan fundraisers.

"I did a fundraiser again for Madigan just a month or so ago,"

(Indicate page, name of newspaper, city and state.)

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Page One

Title:

"Casino-foe Democrat is out of the money"

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FRANK COCONATE

MICHAEL MCAULIFFE

DONALD STEPHENS

MICHAEL MADIGAN

MARY BETH TIGHE

ROSEMARY MULLIGAN

RALPH CAPPARELLI

JOHN SISTO

JOSEPH C. SCARPELLI

PATRICIA CULLERTON

aka "PJ"

RICHARD DUCHOSSOIS

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said Stephens, who lives in the 14th District. "My wife and Shirley Madigan have been friends for about 10 years. I'm Michael's friend too."

McAuliffe, who voted for the casino, landed his legislative post in 1996, when he was appointed to succeed his father, Roger, a longtime state representative killed in a boating accident. For years, the elder McAuliffe was, as his son is today, Chicago's sole Republican state representative. But the district is considered Democratic; in the last two presidential elections, it went for President Clinton.

McAuliffe's district sits, in part, in the 41st Ward, where the most powerful Democratic player is Ward Committeeman Ralph Capparelli, who is also a veteran state House member from a district that adjoins McAuliffe's.

Like Madigan, Capparelli is another Democrat who is tight with Stephens. During the final, frenzied days of last year's legislative session, Capparelli's office in Springfield became known as the casino-law "war room," ground zero for intense bargaining that produced a change in state law to steer the new casino to Rosemont. The law also was designed to shower the horse-racing industry with subsidies and tax breaks.

After the law passed, Capparelli's nephew, John Sisto, and a former business partner, Joseph C. Scarpelli, scored ownership stakes in the casino, which faces a legal challenge and is awaiting approval from state regulators. As a staunch Stephens ally—not to mention a top recipient of Stephens' campaign cash—Democrat Capparelli has no use for Democrat Coconate.

"This guy's against gaming. I'm not going to do nothing," he said. Coconate "did his own thing in the primary, let him do his own thing in the regular election."

Stephens may be a Republican, but his political committee has been good to Capparelli, contributing more than \$98,000 since 1995.

Democratic committeemen like Capparelli are important to campaigns because their foot soldiers perform vital tasks such as distributing campaign literature and getting friendly voters to the polls. Capparelli is not the only one giving Coconate the cold shoulder.

Patricia "P.J." Cullerton, the 38th Ward Democratic committeeman whose ward also cuts through McAuliffe's district, had difficulty even trying to pretend she supports Coconate. Of McAuliffe, she said: "He's got a great reputation, and

I'm not ashamed to say that he's a good state representative."

Meanwhile, she has written off Coconate's challenge as nearly hopeless. "For Frank to want to have something that's not within his reach—and that's my opinion—he's more than welcome to go for it," she said. "But I am not going to lend my resources to his campaign. It would be a waste of my resources."

Since 1996, McAuliffe's campaign coffers have taken in more than

\$20,000 from firms or political organizations connected to Stephens, Arlington International Racecourse owner Richard Duchossois, Rosemont casino owners and even the firm that won the no-bid contract to build the casino.

"Unfortunately in politics today, if you haven't got money, you haven't got a prayer," Stephens said. "I'm sure if I went over and offered \$20,000 to Mr. Coconate's campaign fund, he'd be damned glad to talk to me. It's sour lemons."

Rosemont's mayor raps casino delay, hints

By Douglas Holt
and Michael Higgins
TRIBUNE STAFF WRITERS

Rosemont Mayor Donald Stephens on Wednesday urged the Illinois Gaming Board to approve plans for a casino in Rosemont and distanced himself from a controversial construction company that Gaming Board investigators have questioned him about.

Flanked by a dozen other mayors, Stephens criticized the board for blocking construction of the Emerald Casino, a move that he said has prevented 71 suburban communities from sharing millions of dollars in casino revenue.

The assembled mayors "beg, beseech and implore the Illinois Gaming Board to wrap up its investigation," Stephens said at a news conference in the Rosemont Theatre. "Enough is enough. Caution is great. ... [But] this investigation has reached extreme proportions."

More than a year has passed since Emerald Casino Inc., former



Tribune photo by John Dziekan

Outside the Rosemont Theatre on Wednesday, village Mayor Donald Stephens points out the proposed casino site for reporters.

owner of a failed casino near East Dubuque, asked the board for permission to renew its gambling license and move to Rosemont.

A rival investor group, Lake County Riverboat LP, challenged

the law in court, and the Gaming Board has been hesitant to act with the litigation pending. In addition, Gaming Board staffers have yet to conclude their investigation of the casino's prospective owners.

Gaming Board staff asked Stephens about struction Co. in Chicago with ties to Chicago crime boss John "No No" Zo. The company gave \$50,000 to the Stephens family fund. Last year, the company gave Stephens \$5,000.

But Stephens and Rosenthal, village attorney, said links between Rosemont and the company are remote.

"If D&P gave money to me, I wasn't aware of it," Stephens said. "I wasn't aware D&P was involved. I wasn't aware they were involved."

Rosenthal said a company that worked on the casino project did hire a company—the village attorney—to provide a full name. When the village haul garbage from the site 10 years ago, a firm called Rosenthal & Co. worked briefly before being fired. In a dispute, Rosenthal said Stephens said he knew more about D&P and did

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Rosemont awaits word on casino

Village to sue if board does not act

BY CHRIS FUSCO
SUBURBAN REPORTER

Rosemont could hit the casino license jackpot today, depending on the outcome of closed-door discussions by the Illinois Gaming Board.

The board was meeting Thursday to discuss Emerald Casino Inc.'s application to relocate its license to Rosemont from East Dubuque, where it ran a failed riverboat on the Mississippi River, sources said. Emerald executives were told to be ready to answer questions at today's meeting—with the caveat the issue might not even be discussed.

If the board opts not to act on Emerald's request, Rosemont Mayor Donald E. Stephens and village officials plan to sue next week. The suit would claim the board is violating its constitutional duty by taking too long to decide whether Emerald can operate the casino, Stephens said.

"This is ridiculous," Stephens said Thursday. "Tell me what is going on. Give me a clue."

The gaming board, Stephens

said, also is standing in the way of Emerald making a \$12 million payment to Rosemont for work on a \$43 million addition to a parking garage for the casino and other attractions.

Stephens said he hopes his village will not have to flex any legal muscle. Until this week, he was optimistic the board would decide Emerald's fate this month based on talks he had with gaming board officials.

When the agenda came out Tuesday, he was surprised to see Emerald's license not included as a "final action" item.

Sources within the gaming board said members were determining whether investigators have completed checks of Emerald's investors and casino construction plans. Emerald began building the casino last fall in anticipation of obtaining a license but suspended construction in February after being warned the act might violate state law.

Besides the license standstill, two existing lawsuits threaten the casino. The first, filed by rival casino developers from Lake



Donald E. Stephens
Mayor pushes for information

County, claims a state gambling law signed by Gov. Ryan last June is unconstitutional because it unfairly singles out Emerald as the only firm that can operate a Cook County casino.

The plaintiffs, Lake County Riverboat LP, and the state await an Illinois Supreme Court decision on whether the suit should be heard in Lake or Cook county.

The second, filed by California billionaire Marvin Davis, contends Emerald reneged on a verbal agreement to let him and Arlington International Racecourse owner Richard L. Duchossois have a stake in the Rosemont gambling barge. It is pending in federal court.

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METRO

Judge rejects lawsuit against casino deal

BY STEVE WARMBIR
FEDERAL COURTS REPORTER

Supporters of a casino in Rosemont scored a legal victory Wednesday when a federal judge threw out a lawsuit challenging the lucrative deal.

U.S. District Judge Ronald Guzman cited jurisdictional issues as he dismissed the lawsuit filed by California billionaire Marvin Davis against the owners of the Emerald Casino.

Davis contended Emerald reneged on an oral agreement to let him and Arlington International Racecourse owner Richard Duchossois have a piece of the action from the gambling barge.

Duchossois wasn't part of the lawsuit, and that's one problem the judge had with it.

Guzman said the lawsuit couldn't proceed without Duchossois because the track owner's legal rights "are inextricably intertwined" with Davis' claim.

And Duchossois still has no interest in joining the lawsuit. "I'm not a part of it," Duchossois reaffirmed Wednesday night.

Even if Duchossois did join the lawsuit, it would no longer proceed in federal court but would be un-

der the jurisdiction of state courts because Duchossois lives in Illinois, Guzman ruled.

The judge did not touch on the merits of Davis' claim, saying the issue was moot because of the other matters.

"We're going to study the decision and then proceed in the appropriate forum," Davis' attorney Mark Filip said.

Davis' attorneys could either appeal the federal judge's decision or take the lawsuit to state court.

An Emerald Casino lawyer hailed the decision as a victory.

"To the extent this may have been a reason for a delay in the approval of our application before the Illinois Gaming Board, that obstacle has now been removed," Stephen J. O'Neil said.

"We felt all along the lawsuit was fatally flawed and didn't belong in court."

Casino supporters are hoping for approval at the board's Oct. 17 meeting but still face a significant legal challenge in state court.

Rival casino developers from Lake County have filed suit arguing a state gambling law is unconstitutional because it unfairly singles out Emerald as the only company that runs a casino in Cook County.

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Casino conflict of interest?



STEPHEN J. CARRERA/ASSOCIATED PRESS

Jeremy Margolis, a friend of Gov. Ryan, helped recruit two members of the Illinois Gaming Board before representing 71 suburbs with an interest in seeing the board license a casino in Rosemont.

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Ryan adviser helped pick gaming board members

BY TIM NOVAK
AND DAVE MCKINNEY
STAFF REPORTERS

One of Gov. Ryan's closest advisers, who represents 71 suburbs that would get a \$100 million cut from a Rosemont casino, also helped handpick the state's top gambling regulators who will decide if Rosemont gets a casino.

Jeremy Margolis met privately this summer with the regulators, who are poised to act on the casino next month even though a lawsuit to block it has yet to be settled.

Sources say Margolis, an attorney, has so far been paid \$190,000 for his work on behalf of the suburbs, which would not own the boat but would share some of the profits.

Margolis has done nothing illegal, but his role in selecting regulators and now pushing for a casino raise conflict of interest questions.

"I believe this is a man who has exploited his connections with power for his personal benefit at the expense of the public trust," said Jim Howard, executive director of Illinois Common Cause. "And I see it as wholly inappropriate that this talent agent of the board is now representing clients in front of the board."

Margolis refused to confirm or deny his involvement in helping Ryan select gambling regulators. And he scoffed at suggestions he has clout with the board.

"I don't think there's anybody who has a special status . . . with the gaming board," Margolis said.

Ryan spokesman Dennis Culloton refused to say what role, if any, Margolis had in selecting casino regulators. Culloton said Ryan received recommendations from many people when he filled various government jobs.

While Ryan appointed all five members of the Illinois Gaming Board, sources say Margolis recruited and interviewed candidates, including Gregory C. Jones who is now the board chairman.

Jones confirmed Thursday he was first approached by Margolis, and that Margolis attended his interview with Ryan.

Sergio Acosta said Thursday he left the U.S. Attorney's office to become the gaming board administrator after being recruited by Margolis, who had asked U.S. Attorney Scott Lassar for a recommendation.

"I can assure you that Jeremy Margolis has no influence over anything I do or anything the board does," Acosta said.

Acosta and Jones both said they met privately last July with Margolis and Rosemont Mayor Donald Stephens over the casino, which has been stalled in court.

"My understanding is that he [Margolis] was there representing both the communities and to some extent the mayor," Acosta said.

Jones, who once worked with Margolis in the U.S. Attorney's office, said his vote on the Rosemont casino will not be influenced by Margolis' involvement.

"Does it make a difference? In my mind, no," Jones said. "Like any judge, you have lots of contacts in your community. That doesn't mean people aren't fair in deciding issues."

Last Friday, Jones announced the gaming board planned to take final action on the Rosemont casino at its Oct. 17 meeting, a decision he now says may be delayed because of a motion to hold the board in contempt of court for acting on the license while the lawsuit is pending.

After last Friday's meeting, Margolis hailed Jones' announcement. "We're delighted this has moved along this far. We are anxious to see a \$100 million revenue stream," Margolis said.

Joseph Lamendella, another gaming board member, said he didn't believe Margolis had anything to do with his appointment, although he has known Margolis for years.

When asked if Margolis has a

conflict, Lamendella said, "One would have to be concerned about somebody who is wearing two hats, or multiple hats. You've always got the question of the appearance of impropriety. Is there a conflict? And I'm not saying this about Margolis per se . . . but if that's the case, who is this person acting on behalf of?"

In an effort to boost chances for a casino in Rosemont, Stephens enlisted support from the West Central Municipal Conference, promising 34 of its suburban members a cut of the casino profits. The conference has extended that offer to an additional 37 suburbs, including Evanston, Calumet City and Evergreen Park.

The conference hired Margolis to intervene in the lawsuit filed by

the Lake County Riverboat partnership, which says Ryan and Illinois lawmakers enacted an unconstitutional law so a shuttered casino could move from East Dubuque to Rosemont. No arguments have been made in the suit because both sides have been arguing whether the suit should be tried in Cook or Lake County. The suit is pending before the Illinois Supreme Court.

So far, sources say, Margolis has been paid \$190,000.

Robert Lahey, the conference's executive director, refused to say how much Margolis has been paid, saying it would violate attorney-client privilege. Lahey said the conference is not bound by the Freedom of Information Act, although the conference gets most of its money from taxpayer-funded

Margolis is a partner with the Chicago law firm of Altheimer & Gray, which collected \$900,000 from state contracts under Ryan's administration last year. The previous year, the firm got about \$420,000 in state business. The law firm represents Ryan's campaign in a civil suit over the scandal.

Margolis is regarded as one of the governor's top advisers, although Culloton would only describe him as "a friend" of the governor. Margolis is frequently seen with Ryan at some of the governor's biggest events.

Margolis' special status with Ryan has sparked debate and mistrust among some Ryan advisers, who believe Margolis permanently damaged his credibility by minimizing the license scandal.

"The governor is aware of the questions and doubts that a number of people had and continue to have about Jeremy," one Ryan associate said. "He doesn't share them. . . . He's the governor and Jeremy enjoys his trust and confidence, no matter how misplaced it might be. And all previous attempts to shake that confidence have failed."

dues from its member suburbs, including Cicero, LaGrange and Oak Park.

Margolis, 53, a former federal prosecutor, headed the state police under Gov. James R. Thompson before he went into private practice.

Ryan was running for governor in April 1998 when he turned to Margolis to defuse the license-for-bribes scandal that had dogged the campaign. Ryan's campaign fund paid Margolis more than \$100,000 to investigate the allegations.

Margolis found no wrongdoing, but federal prosecutors have since convicted 31 people for taking part in a scheme that funneled at least \$170,000 in bribes into Ryan's campaign fund in exchange for driver's licenses.

Ryan was elected and Margolis remained an unpaid adviser. He helped appoint the head of the state police, which has 75 officers assigned to the casinos, in part to investigate potential owners.

Margolis also advised Ryan on his death penalty moratorium and helps coordinate Ryan's response to the ongoing license probe.

Rust wins out at casino site

METRO

Stalled Rosemont project faces more delay

By CHRIS FUSCO
SUBURBAN REPORTER

Emerald Casino's Rosemont gambling barge was supposed to be producing millions of dollars in state gaming tax cash starting last month.

Instead, it's producing rust.

The orangish-reddish stuff has coated the steel frame of the stalled project, off Interstate 294 at Balmoral Avenue. But while it looks hideous, construction experts see it as a friend in disguise.

"Once steel rusts, it actually protects itself from further rust," said Richard A. Piccolo, president of B & F Technical Code Services in Hoffman Estates. "That exposed steel is good for quite a few years before it becomes a structural issue."

Rosemont village engineer Chris

Burke seconds that opinion, though structural engineers will give the casino a thorough once-over if construction ever can resume. The rust should disappear with a good power washing.

Making the casino's legal troubles go away isn't as easy. Emerald executives suspended the project in February after state gambling regulators warned that they risked breaking the law by starting the \$100 million-plus casino without state approval.

The gaming board recently announced it will vote on Emerald's license at its Oct. 17 meeting, but rival casino developers aim to stop it.

Lake County Riverboat L.P. is awaiting word from the Illinois Supreme Court on whether the court will hear its petition to keep the board from voting. The compa-

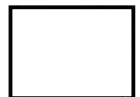
ny, which wants to build a casino in the Fox Lake area, filed suit last year claiming that changes to state gambling law are unconstitutional because they single out Emerald as the only company with rights to the state's 10th and last casino license.

Emerald plans a 150,000-square-foot structure. Its 40,000-square-foot gambling floor would float on a two-foot-deep moat, as required by state law.

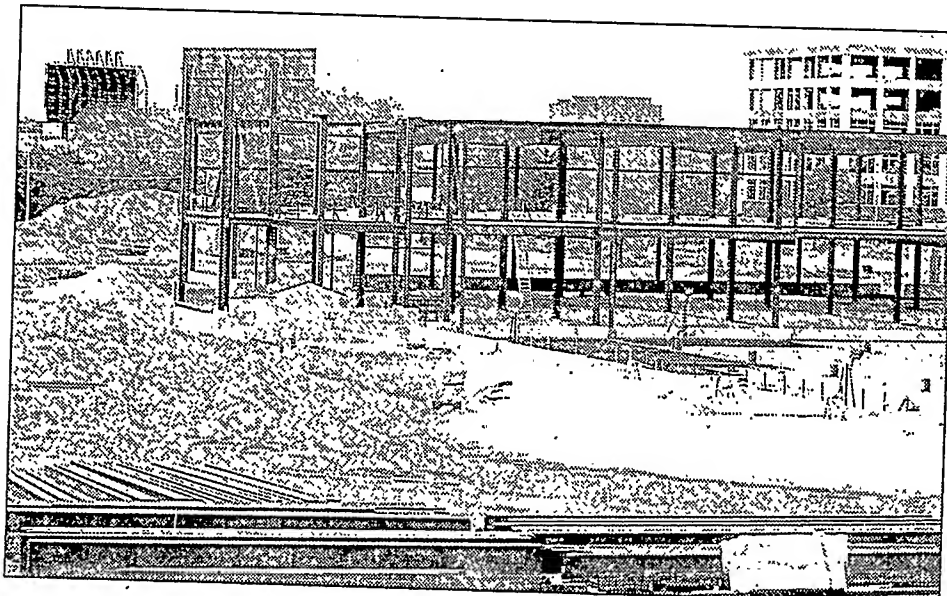
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TOM CRUZE/SUN-TIMES

Emerald's casino construction site on Balmoral between River Road and Interstate 294 in Rosemont.

Deal for Rosemont casino detailed in 120-page lease

THE ASSOCIATED PRESS

ROSEMONT — Illinois gambling regulators are concerned that a lucrative lease proposed by Rosemont for the Emerald Casino would make the village de facto owner of the gambling establishment, a newspaper reported.

Details contained in a 120-page lease and other documents show the village would receive at least \$5.5 million annually in rent and other payments from Emerald, plus an estimated \$6.4 million each year from a 5 percent gambling tax, the Chicago Sun-Times reported in its Sunday editions.

"It smacks of ownership," said Sterling "Mac" Ryder, a member of the Illinois Gaming Board.

Under the proposal, the casino would sign a \$1.5 million lease and pay \$2 million a year to an economic development fund. The casino would pay another \$2 million to help establish a new tourism board, of which two of the three members would be appointed by Rosemont Mayor Donald Stephens.

Stephens said money for the two village boards are well within the spirit of state law.

"It's always been the position of the gaming board that they wanted these

casinos to help the local communities," Stephens said. "I said I wanted a fund for tourism, and I wanted a fund for infrastructure because I feel they are going to impact greatly on it."

The gaming board is concerned about another stipulation in the lease in which Emerald would compensate the village for a \$43 million parking garage that would feature a 25,000-square-foot automobile museum.

Stephens is an avid car collector who has 32 classic cars at his Wisconsin estate. He said he has spoken with two collectors and said none of his cars would be on display at the museum.

Work on the 3,000-space parking garage and museum will be overseen by Degen & Rosato Construction Co. Isaac Degen, Ray Rosato and Stephens were acquitted of 1995 federal mail fraud charges, in which they were accused of a kick-back deal in which Stephens would get a hidden interest in a land deal stemming from construction of the Rosemont Horizon sports and entertainment complex, now called the Allstate Arena.

Degen & Rosato also will oversee construction of the casino with Power Construction Co. The gaming board is concerned that the arrangement would stifle competi-

tive bidding on the project.

"We wanted to use Degen & Rosato on the parking garage; the garage and the casino are tied together," Stephens said. "Emerald wanted to use Power, so the two of them got together."

Degen & Rosato has regularly donated to Stephens' campaign fund.

Stephens compares the casino lease to the one between Elgin and the Grand Victoria casino.

The Grand Victoria pays Elgin 3 percent of its net operating income each year. Elgin will make about \$3 million this year on the lease, city officials said.

The Rosemont casino deal is being challenged by Lake County Riverboat L.P., a group of investors who say the Illinois Legislature crafted an unconstitutional law that allows only Emerald the right to open a casino in Cook County.

"There's nothing devious or sinister about the whole thing," Stephens said. "To this date, the gaming board has never asked me a question. Everything everybody wants to know is in the press. This agreement they want to know about, they've had it since February."

The gaming board could vote as early as Oct. 17 on Emerald's request to renew its casino license and move operations to Rosemont.

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Rosemont casino bid hangs on phone wire

By Douglas Holt

TRIBUNE STAFF WRITER

The Illinois Gaming Board, edging closer to a decision on whether to grant a license for a new Rosemont casino, is closely scrutinizing subpoenaed telephone records to determine whether a high-powered investor group seeking the license misled regulators about a secret ownership deal, according to sources close to the board.

The records were obtained from files in a federal lawsuit filed by California billionaire Marvin Davis, who claims he was cheated out of a promised 37.5 percent stake in the Rosemont riverboat by officials of Emerald Casino, the Rosemont ownership group run by former Waste Management Inc. executive Donald E. Flynn.

Logs of phone calls between representatives of Davis and representatives of the Emerald show more than 5½ hours of conversations in the months surrounding a 1999 vote in the legislature to approve the Rosemont casino. And that, Davis argued, backs up his claim that he offered lobbying help for the new casino as part of the ownership deal, which he said was not committed to paper but tendered with a handshake by Flynn's son, Kevin.

Emerald officials have denied

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Casino: The two sides offered different reasons for the telephone calls.

CONTINUED FROM PAGE 1

to the board that any deal was struck.

Board sources said the five-member panel is taking a close look at the Davis allegations because they directly bear on the honesty and business practices of the Flynn group. And, under state law, a key factor the board is to consider when issuing or renewing a casino license is the "character, reputation, experience and financial integrity" of applicants.

"If they lied under oath and these depositions were taken under oath, I think that's pretty significant," said board member Mac Ryder, who stressed that he had not come to a conclusion one way or the other. "It goes to their qualifications and suitability to be involved in riverboat gambling."

Questions about the alleged deal with Davis are only one facet of a wide-ranging board investigation into the fitness of the Flynn group to operate a casino.

The inquiry spans long-standing allegations of ties between Rosemont village officials and organized crime; the awarding by Emerald of no-bid construction contracts for the planned casino with companies that have ties to Rosemont Mayor Donald Stephens; the decision, since suspended, of Emerald officials to forge ahead with casino construction without board approval; and a pending Securities and Exchange Commission investigation of financial practices at Waste Management when Flynn was a top official of the firm, then based in Oak Brook.

In the Davis suit, neither side disputes that there were lots of telephone calls, 321 minutes in all, between top Emerald and Davis officials from near the time a deal allegedly was struck in late 1998 to July 1999, shortly after Gov. George Ryan signed the gambling law opening Cook County to casinos.

Strikingly different explanations have been offered for those conversations. In sworn testimony, Davis aides said the calls are evidence that Davis, as part of the alleged deal, was working closely with Emerald officials to win legislative approval for the casino.

However, one key Emerald official allegedly involved in some of the calls testified in a deposition that he couldn't recall the conversa-

tions. Another top Emerald official testified that he did have frequent phone contact with Davis aides, but said the conversations had nothing to do with a deal.

Board member Joseph Lamendella said he had yet to focus closely on the telephone call question. But he said, "Obviously, if there were telephone calls, there's a reason for the calls. If there are different reasons for the calls stated by different parties, we're going to have to do a credibility assessment."

Citing technical reasons, a federal judge threw out the Davis lawsuit last month. The ruling, which Davis lawyers have asked the judge to reconsider, made no judgment on the substance of his allegations.

In his suit, Davis alleged that one of his top aides, Michael Collieran, met at the Terrace Lounge in Chicago's Ritz-Carlton Hotel on Dec. 1, 1998 with Kevin Flynn, a son of Donald Flynn and Emerald's chief executive officer. At the meeting, Davis said, Collieran and Kevin Flynn agreed that Davis would pay \$12 million to Emerald for a big stake in the casino that the group hoped to build in Rosemont. As part of the alleged deal, Davis also was to help lobby the General Assembly to approve the casino. But after the bill became law months later, Flynn reneged on the deal, Davis alleged.

In a deposition taken in May in the lawsuit, Kevin Flynn acknowledged meeting Collieran at the Ritz, according to a transcript obtained by the Tribune. But Flynn said the meeting produced no agreement other than to stay in touch to explore "doing real estate deals."

After the Dec. 1 meeting, the telephone records show a flurry of calls between Emerald officials and Eugene Reineke, once a top aide to former Gov. Jim Edgar, whose firm had been hired by Davis to lobby for the Rosemont casino and the gambling legislation.

The reason, Reineke testified in a deposition, was to coordinate lobbying strategy for the gambling law. In those calls, Reineke testified, Emerald vice president Joseph McQuaid said he knew Davis had been promised a big piece of the casino. McQuaid also acknowledged that the Flynnns had promised Richard Duchossois, the politically influential owner of Arlington International Racecourse, an option to buy a 20 percent ownership stake, Reineke testified.

The plan, Reineke testified, was for the ownership interests of Duchossois and Davis to remain secret until after the legislature passed the gambling bill and Ryan signed it into law. One reason for the secrecy, he said, was that the legislation couldn't pass without votes from black lawmakers, and to secure

those votes, the casino backers had to promise to bring on minority and female investors.

"There seemed to be some sensitivities that since the law required minority and female ownership, that that needed to be acted upon before wealthy Caucasian businessmen were brought into the deal," Reineke testified.

McQuaid, in his deposition testimony, denied that any deal had been reached or discussed with Reineke. He said his conversations with Reineke centered on Reineke's interest in becoming a spokesman for an Illinois casino trade group.

"He wanted to know if I would support him in that endeavor," testified McQuaid, who before joining Emerald had served as administrator of the Gaming Board. "Mr. Reineke advised me that he wanted to ask general questions about my experience with the Illinois Gaming Board and my experience with the Illinois Riverboat Gaming Association. He had some very specific issues that he was working on at the time as far as public relations goes, and he was asking me [for] my input and experience."

In an interview, Reineke said he stood by his testimony, adding that the casino association did not begin its search for a public relations firm until months after he and McQuaid began their exchange of telephone calls.

Susan Gouinlock, executive director of the association, confirmed that the group initiated its contact with Reineke in April.

McQuaid could not be reached for comment. Kevin Flynn has told the Tribune he will not discuss the lawsuit while it is pending in court.

Duchossois also has given sworn deposition testimony in the lawsuit in which he backed Davis' claim about the ownership deals struck with the Flynnns. Duchossois testified that he had been "wronged" by the Flynnns, who he said reneged on their promise to let him buy a piece of the casino once it was approved by the legislature.

Last week, Gaming Board investigators called Duchossois to the board's downtown Chicago offices, where he reaffirmed his story in a sworn, videotaped statement, his spokesman confirmed.

Unlike Davis, however, Duchossois has not taken legal action against the Flynnns. Even without becoming an owner, he still can profit handsomely from the casino because the legislation was written to guarantee that a 15 percent share of its annual profits be funneled to racetracks across the state, including Arlington. State experts have conservatively pegged the racetrack share of the annual casino take at \$30 million.

FM

Rosemont casino clears one obstacle

By SHAMUS TOOMEY
Daily Herald Staff Writer

One hurdle that threatened to delay an Illinois Gaming Board vote on the proposed Rosemont casino was knocked down by the Illinois Supreme Court on Tuesday, although other potential delays still loom.

The high court's order, which came down without elaboration, denied a rival casino developer's request to consider holding the gaming board in contempt for moving towards a vote on the proposed Emerald Casino.

Lake County Riverboat, which wants to open a casino near Fox Lake, contended the board moved ahead while it was under an injunction preventing it from action.

But whether the high court's denial means the board can take a final vote on Emerald's license at its next meeting on Dec. 5 is unclear, board members said.

That's because Lake County Riverboat still has a pending suit that challenges the legality of the 1999 revision of the state's gaming law that essentially paved the way for Emerald to relocate its defunct license from East Dubuque to Rosemont.

That case could be heard in Cook County Circuit Court as early as next week.

The judge on that case could issue his own order asking the gaming board to hold off on a vote until he hears the Lake County challenge.

Meanwhile, Rosemont Mayor Donald E. Stephens called a rare news conference for early today to talk about developments with the casino, but the specifics were being kept under wraps Tuesday.

As for what Stephens might say, his spokesman, Gary Mack, said it will go "above and beyond" commenting on the court's action. Mack noted it is believed to be the first news conference Stephens has called in 45 years in office.

Daily Herald Staff Writer
Robert McCoppin contributed
to this report.

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COMMENTARY

Chicago Sun-Times



AL PODGORSKI/SUN-TIMES

Rosemont Mayor Donald Stephens says that the village's casino, its construction now on hold, would be a boon to the region and the state thanks to the new revenues it would generate.

Everybody wins with Rosemont casino

Nearly a year and a half ago, the Illinois General Assembly approved legislation allowing the state's 10th and dormant riverboat license to be relocated to Cook County.

Beliefs were strong that this 10th license would flourish in Rosemont, the site selected by the license holder. Earlier this month, those beliefs were confirmed by the Illinois Economic and Fiscal Commission when it released a report showing that the state and local governments are losing \$128 million a year because the casino license remains dormant. Legal maneuvers and government inaction have created confusion that finds taxpayers and schoolchildren paying the price.

Because of delays, the schoolchildren of Illinois have lost out on new textbooks, smaller classes, better-trained teachers and other educational opportunities. Because of de-

lays, 71 suburbs in Cook County have lost \$20 million for new police officers, new fire trucks and badly needed infrastructure.

Almost no one questions that Rosemont is a superb location for a casino. With a key location adjacent to O'Hare Airport and a convention trade industry that brings in a million mostly out-of-state tourists every year, a Rosemont casino is poised to capture more revenue for state and local government than any gaming facility ever has in Illinois. And for the first time in Illinois, much of that revenue will come from out-of-state travelers. This also means minimal loss to any other Illinois casino, since a Rosemont venue captures new untapped dollars.

Will Rosemont benefit from a casino? Of course. However, our convention trade will prosper with or without a casino.

The truth is, the casino will prosper much more in Rosemont than in any other location, which means more tax dollars flowing to the rest of the region.

Through Rosemont's unique revenue sharing plan, residents of 71 suburbs will share in the local tax. Many of these communities are economically disadvantaged and never could host, much less support, a casino. Through our revenue sharing arrangement, Rosemont fulfills the spirit of this gaming casino act more than any other location ever has.

Delay already has cost taxpayers and schoolchildren millions and millions of dollars. I hope that decision-makers in all branches and all levels of government will consider that cost to taxpayers and expedite their decision.

Donald E. Stephens,
mayor of Rosemont

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Rosemont renews push for casino

By ROBERT MCCOPPIN
Daily Herald Staff Writer

Rosemont Mayor Donald Stephens renewed his push Wednesday to allow a casino to open in Rosemont, this time backed up by fellow mayors and a court ruling.

Gambling regulators indicated one legal hurdle might be cleared for the casino, but refused to commit to any immediate vote on the Rosemont casino.

The Illinois Gaming Board's refusal to act, Stephens said, is "hurting every schoolchild in Illinois."

He cited a study by the state Economic and Fiscal Commission estimating that a Rosemont casino would generate \$126 million in a year for the state's education fund.

The mayor was flanked by a dozen mayors from western Cook County suburbs who are among 71 communities in line to get a cut of casino revenues.

Emerald Casino's application for a casino license has been in limbo since last year, when a rival group of investors from Lake County filed suit to block the casino.

The suit claims that the state law that cleared the way for Emerald to open in Rosemont was written just for Emerald, which would be unconstitutional.

The gaming board had planned to take final action on Emerald's application in October, but held off after the Lake County group asked the court to punish the board if it acted.

After the Illinois Supreme Court denied that threat Tuesday, Stephens said, "There should be nothing blocking the commission from going forward."

Gaming board Chairman Gregory Jones' first inclination was to agree, but he said he would have to review court orders on the matter.

A Cook County judge previously indicated it would be "improvident" for the board to act while the matter was in court.

Stephens hoped the board would call a special meeting, but board spokesman Gene O'Shea said the board's next meeting was set for Dec. 5.

The board will continue to try to wrap up the Emerald application "as expeditiously as possible," O'Shea said.

Board member Mac Ryd who has charged that the casino owners have broken gaming regulations by selling stock without approval, indicated the board would not be pressured into action, saying, "I'm sure Mayor Stephens isn't going to determine this."

At the same time, the gaming board has continued looking into whether Emerald has any ties to organized crime.

The Chicago Crime Commission has given gaming investigators information about organized crime in Chicago, and the new gaming administrators have been "very effective" in pursuing leads, commission Chief Investigator Wayne A. Johnson said.

As an example, he applauded the gaming board's recent decision to ban from the casinos three men tied to illegal gambling.

He said the thoroughness of the investigation was worth the delay.

"Every casino needs this in-depth investigation," Johnson said. "I don't know if this has happened in the past in Illinois, but I know it's happening now with this administration."

Though Stephens was found not guilty in court of receiving kickbacks in the 1980s, the charges are a "red flag" that makes investigators look deeper, Johnson said.

If the board finds no fault with Stephens and Emerald goes ahead, Johnson said, the crime commission "would not stand in his way."

Emerald attorney Michael Ficaro agreed that the gaming board is cleared to act on the license, but Lake County Riverboat attorney Michael Dockterman threatened he may again seek court action if the board tries to act.

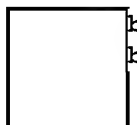
"We're waiting to get in front of a judge," he said, "and get this taken care of."

Daily Herald staff writer Shamus Toomey contributed to this report.

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Gaming board pressured

*Suburban mayors
join Rosemont in
push for casino*

BY CHRIS FUSCO
STAFF REPORTER

The state loses at least \$2 million for every week gambling regulators wait to license a planned Rosemont casino, Rosemont Mayor Donald E. Stephens said Wednesday.

But while Stephens blames an ongoing lawsuit and "epic" investigation for keeping the Illinois Gaming Board from considering the project, his own campaign war chest also might be playing a role.

During a news conference with a dozen other suburban mayors Wednesday, Stephens acknowledged accepting contributions from D&P Construction Inc., which the Chicago Crime Commission says has links to organized crime. The Donald E. Stephens Committeeman Fund, state records show, has received \$8,000 from the company since October 1999, including a \$3,000 contribution last month.

The contributions "give the gaming board a valid reason to look into Stephens' associations," said Wayne A. Johnson, the crime commission's chief investigator. The company, he said, is owned by Peter and Josephine DiFronzo, the brother and sister-in-law of reput-

ed high-ranking Chicago organized crime figure John DiFronzo.

Stephens said Wednesday he doesn't know anyone from the company. He said he told gaming board staff members the same thing during a recent two-hour videotaped interview.

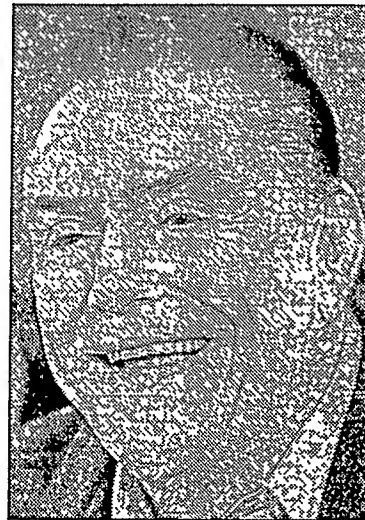
"I never raise money for my committeeman fund. It's done by those people that I've retained to do that," Stephens said. "If D&P gave money to the fund I was not aware of it. In fact, I was not aware D&P was bad people. I wasn't even aware D&P existed."

Stephens added he wants to hear from gaming board investigators and Administrator Sergio Acosta if they have problems with the Rosemont casino deal.

Stephens brought together municipal leaders to pressure the gaming board into calling a special meeting to consider the casino. A lawsuit filed by rival casino developers from Lake County shouldn't deter the gaming board from taking up Emerald Casino's request to relocate its casino license from East Dubuque, where it ran a failed riverboat, to Rosemont.

The delays, Stephens said, so far have cost the state \$126 million because the casino won't be open until about a year from now if approved.

Gene O'Shea, a gaming board spokesman, said the agency's next meeting is Dec. 5. He would not say whether Emerald would be on the agenda or if the agency is



JEAN LACHAT/SUN-TIMES

Rosemont Mayor Donald E. Stephens speaks at Wednesday's mayors' press conference.

considering a special meeting.

Michael Dockterman, an attorney representing the Lake County casino investors, said he believes the gaming board will wait until his clients' lawsuit gets through the court system. The Lake County suit claims state legislators approved an unconstitutional law that unfairly singles out Emerald as the only company that can operate a Cook County casino.

A hearing in Cook County Circuit Court is expected before the end of the month.

Contributing: Art Golab

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Chicago Tribune

Friday, January 26, 2001

154th Year — No. 26 © Chicago Tribune Sections N

Ruling boosts Rosemont ca

Gaming Board to vote next week; questions about investors linger

By Douglas Holt
and Michael Higgins
TRIBUNE STAFF WRITERS

A Cook County judge Thursday removed a major legal roadblock to the long-stalled Emerald Casino project in Rosemont, but victory for the casino's roster of wealthy and influential backers may be short-lived.

The Illinois Gaming Board is expected to vote Tuesday on

whether to give the go-ahead for the casino, nearly two years after the legislature passed controversial legislation designed to fast-track approval for it to be built in Rosemont.

But what seemed like a slam dunk in 1999 has grown more problematic in the intervening months as some board officials have questioned the ethics of some investors in the Emerald Casino group and board investi-

gators have zeroed in on allegations that other key figures in the deal have associations with mobsters.

Board action on the casino has been slowed not only by that investigation but also by a lawsuit challenging the constitutionality of the 1999 gambling law. That suit, filed by a rival casino group, was dismissed Thursday by Circuit Judge Robert Boharic.

Emerald Casino lawyers hailed the decision and predicted it cleared the way for quick board approval for the Rosemont facility.

"There's nothing I am aware of preventing the Gaming Board

from granting Emerald its license," Michael Ficaro, one of the attorneys, said. "I expect it to happen."

But Glenn Seidenfeld, the leader of Lake County Riverboat L.P., which hoped to win approval for a casino in Lake County, vowed to appeal.

"If no one has the right to question whether the legislature can pass special legislation to benefit the powerful and the wealthy, then we don't really have a system that works," he said.

The Lake County suit claimed that the gambling law illegally steered ownership rights to the Emerald Casino venture, headed

by former executive D

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Casino: Lake County Riverboat L.P. vows to appeal the dismissal of its lawsuit.

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of ties to organized-crime figures that he forcefully denies.

Stephens is not an Emerald Casino investor but has exerted control over its construction and insurance contracts and its financial structure and has close ties to several proposed investors. Stephens is also a former business partner of William Daddano Jr., who is listed on the Chicago Crime Commission's roster of organized-crime leaders in Chicago.

Daddano is considered "an active member of the Outfit," said Wayne Johnson, the commission's chief investigator.

Stephens and Daddano were co-owners of a company called American Trade Show Services, which leased forklifts and aerial lifts needed by trade show contractors at McCormick Place and Jacob Javits Convention Center in New York. A third owner of the trade show firm was Nicholas Boscarino, an investor in the Rosemont project through a trust in his daughter's name.

Boscarino, a former chief steward for Teamsters Local 714 in Rosemont, resigned from his union post in 1996 to avoid testifying in an investigation of union corruption, according to a report of a federal panel conducting that probe.

By his own account, Stephens is also a longtime friend of Anthony "Jeeps" Daddino, whom federal prosecutors describe as a well-established mob associate imprisoned as recently as 1999 for refusing to testify before a federal grand jury in exchange for immunity.

Stephens once wrote a federal judge pleading for leniency for Daddino, then a Rosemont building inspector, after Daddino was convicted of collecting protection money for the mob.

Stephens has also refused to disavow or return \$13,000 in donations to his political fund from firms linked to Peter DiFronzo, whom the FBI considers "the chief lieutenant for his brother, John DiFronzo, the . . . boss of the Chicago [La Cosa Nostra]," according to a 1998 report by federal investiga-

tors.

Stephens repeatedly has denied ties to organized crime and did so again Thursday, emphatically dismissing the Gaming Board's concerns.

"If they think I'm a crook, let them say that," Stephens said.

The close scrutiny of Stephens and others close to the Emerald Casino deal is symptomatic of a sea change in attitude at the Gaming Board, which under state law has wide latitude to reject applicants for gambling licenses if they are deemed to be a menace to the reputation or integrity of Illinois casinos.

The board was long viewed as a cheerleader for the casino industry rather than a tough regulatory body, but the atmosphere began to shift last year after then-board Chairman Robert Vickrey resigned. His departure followed Tribune revelations that he had disregarded a highly critical report by board investigators as he pressed forward to approve the sale of the Joliet Empress casino to Jack Binion, a controversial owner of casinos in several other states.

After Vickrey's resignation, a reconstituted board reversed course and declared Binion unsuitable to run a casino in Illinois. Binion has appealed that decision and recently launched an advertising blitz for the Joliet Empress that is also designed to make Binion a household name.

Aside from probing questions about organized crime, board investigators have been looking into allegations that top officials of the Emerald Casino group had entered into secret ownership deals designed to muster lobbying clout for legislative approval of the casino months before lawmakers took up the matter.

California billionaire Marvin Davis filed suit against the Emerald Casino, claiming he was promised the opportunity to buy a major stake in it and that the Flynn group reneged on the deal. Flynn and other casino officials have denied there was a deal in sworn deposi-



Tribune photo by Carl Wagner

Jasmine DeLaTorre (from left), William Quinlan and James Carroll, attorneys for the Village of Rosemont, read the judge's decision Thursday outside a courtroom on the 24th floor of the Daley Center.

tions taken for the lawsuit and in separate, videotaped depositions taken by Gaming Board investigators.

But Davis' account was supported under oath by Arlington International Racecourse owner Richard Duchossois, who also said

the Flynn's had promised him an opportunity to buy a big piece of the casino and reneged as well. Board officials have said they

found Duchossois' claim credible because he had a financial incentive to withhold such information. Under the 1999 law horse tracks are to get 15 percent of the Rosemont casino's revenue when and if it is built.

If there was no deal between Davis and the Flynn's, Davis lawyers have questioned why a flurry of telephone calls took place between a Davis lobbyist and Emerald officials from the time the alleged deal was struck until after the law was passed.

Gaming Board members and officials either could not be reached or declined to comment Thursday.

But board member Mac Ryder told the Tribune last year, "If they lied under oath and these depositions were taken under oath, I think that's pretty significant. It goes to their qualifications and suitability to be involved in riverboat gambling."

At the same time, board member Joseph Lamendella said that "diametrically different explanations for the telephone calls would require the board to 'do a credibility assessment.'"

Gaming Board rules state that "any misrepresentation or omission made with respect to an application may be grounds for denial of a casino owner's license."

Gaming board to revisit Rosemont

Editor's note: This story ran incompletely in Thursday's editions. The entire story is being republished today.

BY SHAMUS TOOMEY
Daily Herald Staff Writer

The Illinois Gaming Board is prepared to vote Tuesday on a question that once seemed like a formality but has since floated into uncertain waters: Will the panel allow Emerald Casino to open a riverboat in Rosemont?

A source close to the board on Wednesday said a final vote on the proposed casino is tentatively on the regulatory body's agenda for next week.

The vote is scheduled to come after at least a day and a half of closed-door meetings on the topic beginning Monday — hours of discussion that could ultimately decide the casino's fate or lead to a postponement of the vote.

The discussion will be helped by a long-awaited and recently completed report written by the gaming board's staff. The nearly 100-page report is the result of a probe into the ownership of the proposed casino as well as the background of Rosemont Mayor Donald Stephens.

But the report does not contain a staff recommendation on whether to approve the casino or not, as some believed it would, the source said. "They're laying it on the board," the source said.

Gaming board spokesman Gene O'Shea declined to comment on the report or the board's Tuesday agenda, which will be released today.

Meanwhile, a Cook County circuit court judge said he plans to announce his 27-page decision today on whether a rival group of casino investors' lawsuit challenging the constitutionality of the 1999 state law that opened up Rosemont for legal gaming can proceed.

Emerald, Rosemont and the dozens of suburbs who stand to profit from the casino asked Judge Robert V. Boharic last month to throw out the suit, which could disrupt the current face of gaming in Illinois if it proves successful.

That's because the 1999 law has a clause saying if one part of the bill is struck down, the whole bill fails, taking down with it lucrative dockside gambling and horse racing subsidies.

If the judge allows the case to proceed, the group that filed it, Lake County Riverboat, might seek an injunction preventing Emerald from proceeding with its plans until the case is decided, attorney Michael Dockterman said.

But first the Lake County group, which wants to open a casino near Fox Lake, will wait to see if the gaming board will even approve the Emerald license request. There would be no need for an injunction if the Emerald license is rejected, Dockterman said.

Many people thought the approval of Emerald's application was a done deal. Rosemont even began construction of the casino complex before the gaming board stopped it after determining the 1999 law did not simply tell the board to rubber stamp the application, but instead deliberate on it.

But now that approval is far from certain, with one person close to the issue saying, "I don't know which way the wind is blowing."

"This is really complicated," the source said. "For something that started easy and was supposed to be a lock, it's gotten very protracted."

The staff report notes the board's findings about a link between Stephens and an organized crime-connected person Stephens once vouched for.

The report, however, does not go so far as to say it should disqualify Rosemont for the license, the source said.

The report details allegations by California oil tycoon Marvin Davis that Stephens and the Emerald owners aced him out of a promised 32 percent cut of the casino, the source said.

The claim has been denied, but it raised the eyebrows of gaming board members concerned that the casino was not being upfront on its ownership.

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Daily Herald
Friday
Jan. 26, 2001

Aces for Rosemont

What casino ruling means

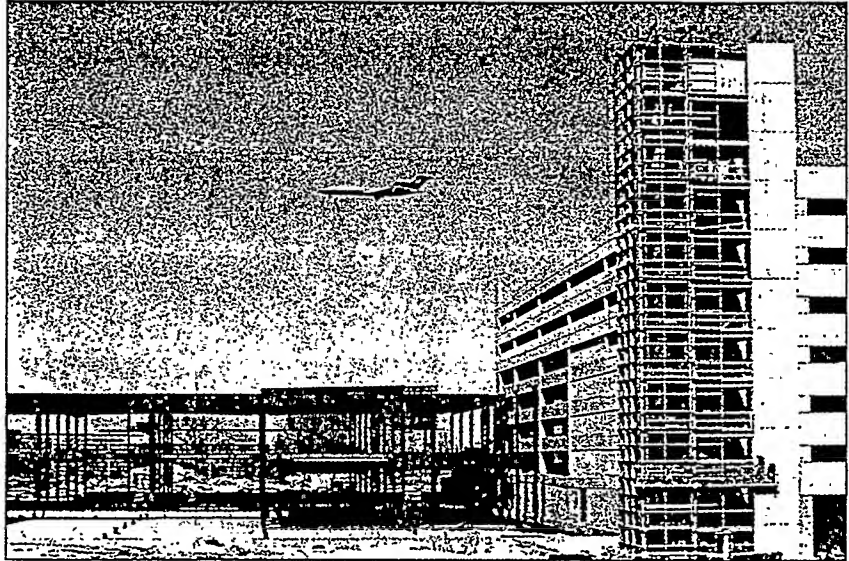
A Cook County judge on Thursday dismissed a lawsuit challenging the 1999 amendment to the state's gaming laws. Here are the practical results of the decision if it is not reversed on appeal:

■ Rosemont officials say the Illinois Gaming Board can now vote on the proposed Emerald Casino near I-294.

■ If the casino is approved, 71 suburbs would share in an estimated \$20 million a year in casino tax revenue.

■ Riverboat casinos are allowed to stay docked on any water in Illinois, including manmade ponds, except Lake Michigan.

■ Subsidies and tax breaks to the horse-racing industry will continue, including an estimated \$5 million to \$7 million a year to Arlington Park.



The site of the proposed Rosemont casino was quiet on Thursday, the day a Cook County judge's ruling might have breathed life into the stalled project.

Daily Herald Photo/Joel Lewnard

Judge removes roadblock to casino

By SHAMUS TOOMEY
AND AMES BOYKIN
Daily Herald Staff Writers

A Cook County judge dealt Rosemont the legal equivalent of blackjack Thursday by throwing out a lawsuit that sought to overturn a state law allowing a casino to come to the suburb and permitting all riverboat casinos to stay permanently moored.

The lawsuit, filed 15 months ago by a rival group that wants to open a casino near Fox

Lake, helped to stop construction of the more than \$100 million Emerald Casino in Rosemont last February. It also cast a shadow over plans around the state to build bigger, more lucrative barge casinos to capitalize on the popularity of so-called dockside gambling.

Cook County Circuit Court Judge Robert V. Boharic's ruling now sets up a scheduled vote Tuesday by the Illinois Gaming Board on Emerald's proposal.

While insiders say approval is

by no means assured, Rosemont attorney William R. Quinlan said he feels good about getting the board's OK.

"I feel confident now that there should be nothing standing in our way to having this implemented and having them approve the license," said Quinlan, who noted Emerald could be open before 2002 if construction goes as scheduled.

Rosemont Mayor Donald E.

See CASINO on Page 4

Key dates in Rosemont casino debate

June 1997. Illinois Gaming Board moves to strip H.P. Inc. of its riverboat license after it closes its East Dubuque casino for financial reasons.

Jan. 2000. Gaming Board Chairman Robert Vickrey resigns. New chairman and board say construction without board approval could be illegal.

Feb. 25. Construction halted.

July 7. Gov. George Ryan urges gaming board to act.

Dec. 12. Judge Robert V. Boharic, the 7th judge on the Lake County lawsuit, hears arguments on a motion to dismiss it.

May 1999. A judge agrees with gaming board's decision, but board does not act.

June. General Assembly passes law allowing H.P.'s license to be transferred to Cook County.

Oct. Lake County Riverboat, a group of rival investors, sues, saying law illegally favors H.P.

Oct. H.P., now Emerald Casino, begins building \$100 million-plus casino in Rosemont near I-294.

Jan. 25, 2001. Boharic throws out suit. Lake County Riverboat promises to appeal.

Jan. 30. Board scheduled to vote on Emerald approval.

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CASINO: Ruling puts 71 suburbs in line for gambling profits

Continued from Page 1

Stephens, widely credited with pushing the disputed 1999 bill through the state General Assembly, said the ruling makes the board's decision less murky, but he was restrained in his comments.

"I've been sitting around waiting for the last year and a half and I wouldn't begin to presume what the gaming board is going to do," Stephens said.

Appeal certain

A legal appeal of the 27-page ruling issued by Boharic Thursday morning is a virtual certainty. But unless the gaming board decides otherwise, that appeal is not expected to affect the panel's ability to vote on the Emerald plan.

The dismissed lawsuit was filed in late 1999 by Lake County Riverboat, a band of investors who sought to secure a license for a Lake County riverboat but were denied by the gaming board in 1998. The gaming board at that time told the group that all 10 licenses allowed in Illinois were taken.

Meanwhile, a group named H.P. Inc. was fighting to maintain its gaming license, which the board tried to take away in 1997 after H.P. closed its struggling Silver Eagle casino in East Dubuque.

Before that license was stripped, however, the General Assembly in June of 1999 passed the amended gaming law that allowed "a licensee that was not conducting riverboat gambling on Jan. 1,

1998" to move its license within the state, including into Cook County.

Lake County Riverboat's suit challenged that clause, arguing it amounted to unconstitutional special legislation because H.P. was the only licensee with a closed boat when 1998 began.

But that distinction ultimately worked against the Lake County group because Boharic on Thursday ruled that because Lake County did not hold a license, it was not eligible for the transfer clause. And because it was not eligible, it lacked legal standing to challenge the law because the group did not stand to be directly injured by it — a requirement for lawsuits to proceed.

"The injury Lake County Riverboat suffers from application of (the 1999 law) is nonexistent since plaintiff and Emerald never were in competition for the same geographically limited license," Boharic wrote.

The judge also ruled that Lake County Riverboat dealt itself a "fatal" blow to its case by not appealing the board's 1998 denial of its application. He ruled they failed to "exhaust its administrative remedies."

Lake County Riverboat attorney Michael Dockterman took issue with that, saying the investors would have needed to be clairvoyant to know they needed to appeal in 1998 because that denial came 16 months before the new gaming law was passed.

By dismissing the case on the

legal standing issue, Boharic did not address whether the law was constitutional or not. Dockterman lamented that fact, saying, "Once you get to the merits, we win."

Dockterman said he is more than 99 percent sure his clients will seek an appeal, either to an appellate court or the state Supreme Court. Quinlan, Rosemont's attorney, said he was unconcerned.

Effects on others

But whether other casinos will shrug off the appeal is unclear. Several boats — including ones in Aurora, Joliet and Rock Island — have stalled multimillion-dollar plans to switch their operations to much larger barges until they can be sure the dockside part of the 1999 gaming law will stand.

Because of distrust among the many groups who stood to benefit from the law, it was written with an "inseparability" clause that said if one section was struck down by a court, the whole bill would sink.

"It is a step in the right direction toward permitting the boats to make those significant investments in their properties in Illinois," said Illinois Casino Gaming Association executive director Susan Gouinlock. "We're not clear

that this is the right time to do it." Another industry with a stake in Thursday's ruling is horse racing. The 1999 law calls for tax breaks and millions of dollars of revenue pegged on the success of Emerald to be diverted to racetracks around the state to bolster purses. Arlington Park stands to gain an estimated \$5 million to \$7 million a year from the law.

Arlington spokesman Thom Serafin said the track is more focused on racing than the legal battle because it has no control over the latter. But he did note that all aspects of state horse racing "should benefit from the fact that the industry is back on its feet."

Arlington Park and the other tracks aren't the only ones that stand to benefit from Thursday's ruling. A group of 71 suburbs — including Bartlett, Hanover Park, Hoffman Estates and Palatine — will share in an estimated \$20 million in annual casino tax revenue if Emerald is approved.

Rosemont would take the biggest cut of that revenue, getting an estimated \$6.4 million a year in the first 10 years. And as the owner of the casino site, it has a 10-year lease with Emerald that will bring in another \$1.5 million a year.

P.2

Gaming board to decide on Rosemont casino's future today

By SHAMUS TOOMEY
Daily Herald Staff Writer

Today, 19 months after lawmakers agreed to allow a "riverboat" casino in a man-made pond in Rosemont, the Illinois Gaming Board is expected to decide if the long-debated plan will sink or swim. If Emerald Casino's plan to build a more than \$100 million gambling barge is rejected by the five-member board, legal appeals are sure to follow and again throw into doubt just who will get the state's 10th and final casino license.

But if approved, it will cement the

reputation of a town of just 4,000 as a top local tourist and convention draw and add to the legend of Mayor Donald E. Stephens, who helped shepherd through the General Assembly the 1999 change to the state gaming law responsible for today's vote.

The board is expected to call the vote sometime after 1 p.m. in Chicago. While approval once seemed like a sure thing, it is far from that. Indications after a closed-door meeting of the board Monday are that at least one member will vote against the plan. Whether two others will side with that member and

sink the plan is a cliff-hanger as the board has scheduled more deliberations on the topic for this morning.

The vote comes after the board's investigators compiled a nearly 100-page report on the financing and background of Emerald's ownership team and Stephens. That report did not include a recommendation on whether to approve the casino, but the staff is expected to weigh in publicly today with a recommendation during the meeting, a source said.

The background of Stephens, including allegations of his associations with organized-crime figures,

will factor into at least one member's decision to vote down the plan, a source said.

The Rev. Tom Grey, an anti-gambling activist and a strong opponent of the plan, called Stephens a "de facto owner" of the proposed casino and said his background should disqualify the village.

Emerald officials deny Stephens exerts influence on its decisions, and Rosemont spokesman Gary Mack called Grey's comments "hogwash" and part of a "smear campaign that has no foundation in anything."

Grey also said it would be wrong

for the gaming board to allow Emerald to open a casino in Rosemont because the board in 1997 voted to strip the gaming license from the same basic group of owners after the group shuttered its Silver Eagle casino in East Dubuque.

"If this board deals this stacked deck, it's lost all of its credibility in

regards to being able to regulate," Grey said.

In contrast, Rosemont's Mack said a casino will help the village and the 71 suburbs who will share in its gaming tax revenue.

"What this will be is an amenity to the convention trade in Rosemont, and mostly it will be something to help the state of Illinois," he said.

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Gaming Board rejects Rosemont casino bid



Emerald Casino lawyer Michael Ficaro on Tuesday addresses the Illinois Gaming Board, including Mac Ryder (left) and Gregory Jones. Tribune photo by Phil Velasquez

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Casino boss cashing out

Jack Binion agrees to sell his controlling stake in Joliet's Empress to end a fight with state regulators. **In Metro**

Regulators say some investors have mob ties

By Michael Higgins
and Douglas Holt

TRIBUNE STAFF WRITERS

In a stinging blow to what once seemed an unstoppable deal, the Illinois Gaming Board on Tuesday rejected a planned Rosemont casino, concluding that top officials of the would-be riverboat had misled the board and that some investors had links to mob figures.

"The investigative record establishes the insidious presence of organized crime elements associated with this proposed project that cannot be ignored," Gaming Board Administrator Sergio Acosta said in a statement to the board.

The board's 4-1 vote against the boat project delivered a severe setback to Rosemont Mayor Do-

nald Stephens and the financial backers of the casino, known as the Emerald, who were once so confident of approval that they sank more than \$10 million into the casino's construction.

Stephens and a consortium of powerful gambling interests had mounted a major lobbying effort that resulted in authorization of the casino as the centerpiece of a 1999 gambling law. The law also tied the Rosemont casino's profits to horse racing subsidies.

The decision highlighted the newfound rigor of a board that not long ago was considered little more than a rubber stamp for the gambling industry. Indeed, within an hour of rejecting the Emerald project, the board announced it had persuaded Jack Binion, the controversial owner of the Empress casino in Joliet, to sell his

boat and get out of gambling in Illinois.

That agreement effectively ends Binion's appeal of a board decision last summer that declared him ethically unfit to run a casino in the state.

The Rosemont decision was a serious blow to the principals of Emerald Casino Inc., run by former Waste Management Inc. executive Donald Flynn, who thought they had the casino's approval locked up after passage of the gambling law, which allowed for a new casino in Cook County.

Before the vote, Acosta said that Flynn and his son, Kevin, Emerald's chief executive office, "have repeatedly made false and misleading statements" to the board.

SEE CASINO, BACK PAGE



Shaun Gayle (second from left), a former Chicago Bear and an investor in the Emerald Casino project, listens to the discussion before the Illinois Gaming Board on Tuesday.

Tribune photo by Phil Velasquez

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FROM PAGE ONE

Lies, mob ties cited as casino bid fails

State gambling regulators turn down what once had been seen as a sure-thing proposal to put a riverboat casino in Rosemont.

CONTINUED FROM PAGE 1

The decision outraged Kevin Flynn, who complained that he and his father hadn't had a fair opportunity to rebut the allegations. He described his father as "stunned" by the decision and vowed an appeal of the board's ruling to an administrative law judge and, if necessary, into the courts.

"It's absurd," Kevin Flynn said. "We still don't know what these so-called misleading statements are. I may win the appeal, but I don't know how I get my reputation back."

In making his recommendation against Emerald, Acosta gave scant details of the reasons for the denial, though they may be more fully spelled out in a formal letter to be sent to Emerald officials in a few weeks. A staff report detailing the investigation into the Emerald is confidential.

But Acosta said staff investigators found evidence that two of Emerald's proposed investors "have close associations with Chicago organized crime figures."

Acosta also noted that "known members of organized crime control at least one firm that has done work at the Rosemont site."

The Gaming Board has questioned Emerald officials about construction site contracts with D&E Construction, which is controlled by a relative of reputed top mob figure John "No Nose" DiFronzo.

In addition, Acosta said he has "serious concerns" that board approval would make it difficult for casino regulators to monitor effectively "future efforts by organized crime to compromise the integrity of the proposed casino."

According to a high-level Gaming Board official, who declined to be identified, one of the investors in question was Nicholas Boscario, who once owned a fork-lift leasing company with both Stephens and William Daddano Jr. Daddano is listed by the Chicago Crime Commission and other law-enforcement groups as a member of the Chicago crime syndicate.

The official also said that some of the allegedly misleading statements by the Flynn's were related to a lawsuit brought against the Emerald by California billionaire Marvin Davis, who alleged that he had been promised a stake in the casino in exchange for lobbying help. After providing that help, Davis claimed, the Flynn's reneged on the deal.

For almost two years, the fate of the Emerald and its many politically influential investors has been closely watched statewide. After extensive lobbying by gambling interests and Rosemont, lawmakers in spring 1999 passed legislation that appeared to guarantee Emerald the right to move its gambling operation from a failed location in East Dubuque to the sure-to-be-lucrative site in Rosemont, near O'Hare International Airport.

As part of an intricate compromise, the law also provided that millions of dollars in Rosemont casino revenue would be used to subsidize the state's horse racing industry. Additional millions of dollars from the new casino would be spent to upgrade the Cook County criminal justice system and state athletic fields.

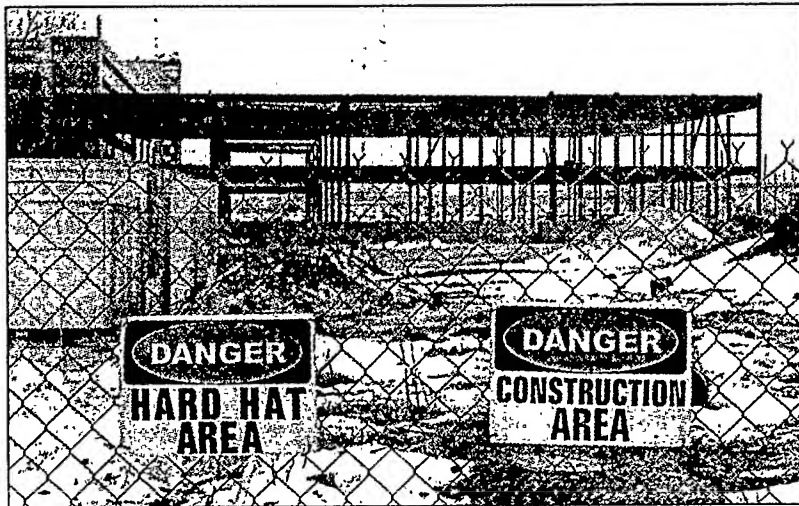
Some 71 suburban communities agreed to support Rosemont's casino bid in exchange for a cut of the revenue.

Gary Mack, a spokesman for Stephens, expressed bitter disappointment after the vote. But he said that it appeared the board's problems rested with Emerald Casino, not Rosemont, even though board investigators looked into ties Stephens has had with crime syndicate associates. Stephens has repeatedly denied any such links.

Asked about allegations regarding organized crime influence on the project, Mack said: "Mr. Acosta is wrong. There is none of that in Rosemont."

The vote on the Emerald was preceded by testimony from supporters and opponents of the project, including Wayne Johnson, chief investigator of the Chicago

P. 4



Tribune photo by John Dziekan

There was no activity Tuesday at the site of Rosemont's Emerald Casino, where construction has been halted since last February.

Crime Commission, a citizen anti-crime watchdog group. Johnson urged the board to reject the Emerald project based on what he said were relationships between Stephens and associates of organized crime.

But at least three of the four board members who opposed Emerald's license request said afterward they didn't base their decision on any information relating to Stephens or Rosemont.

In other public comments, a representative of the suburbs that hoped to share casino revenues

presented the board with a letter from former Gov. James R. Thompson. In the letter, Thompson vouched for Stephens, calling him "a fine public servant and a friend."

State lawmakers who helped push through the casino legislation expressed little more than resignation over the board's decision.

House Speaker Michael Madigan (D-Chicago), who supported the gambling legislation, said only that the Gaming Board "has the authority to what they did. That's

the way it is."

Rep. Angelo "Skip" Saviano (R-Elmwood Park), a Stephens ally who helped shepherd the casino package through the General Assembly, noted how important the project is to Stephens.

"I mean, this is like the final component of his overall vision," he said, adding, "This was going to be the other jewel to finalize it being a premier convention town."

Thom Serafin, spokesman for Arlington Park, emphatically denied that the loss of anticipated casino money would impact the race track. He said counting on that money would have been "hypothetical" and a poor way to run a racing business.

Michael Dockterman, a lawyer for Lake County Riverboat LP, a rival group of casino investors who had sued the Gaming Board to scuttle the Emerald project, said he hoped the decision would allow his group to compete for a license in an open process. If that fails to happen, he said his group would press an appeal of the lawsuit, which was thrown out by a Cook County judge last week.

The lawsuit claimed the 1999 gambling law was unconstitutionally written to confer special benefits on the Emerald group to the exclusion of others.

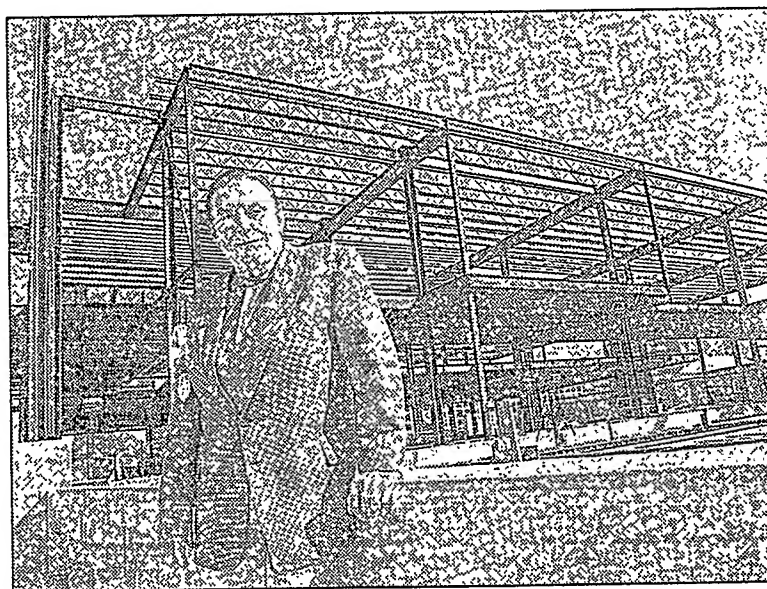
Tribune staff writers Ray Long, Rick Pearson and Richard Wronski contributed to this report.

Rosemont still a player



BRIAN JACKSON/SUN-TIMES

Emerald co-owner Kevin Flynn (left) and attorney Michael Ficaro listen as the gaming board deliberates Tuesday. The board made an "initial denial" of Emerald's request to relocate its casino license to Rosemont.



AL PODGORSKI/SUN-TIMES

Rosemont Mayor Donald Stephens stands in front of the partially built Emerald casino. Construction was suspended about a year ago.

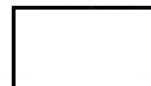
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Gaming board leaves village room to get casino as Emerald plans to appeal license denial, writes staff reporter Chris Fusco

Don't let the talk about mob ties and crooked casino owners fool you. All bets aren't off in Rosemont.

State gambling regulators left the door open Tuesday for the northwest suburb to get a casino because they only made an "initial denial" of Emerald Casino's request to relocate its license from East Dubuque, Ill. The move allows the company to appeal the decision through a courtlike process—something Emerald attorney Michael Ficaro promised it will do.

That could take several years and might lead to a compromise between the gaming board and Emerald. Even if the company fails to win final approval to build a \$199 million casino in Rosemont, the board could bid the license to other companies in Rosemont or other towns.

"Ultimately, if they exhaust all their appeals and lose their license and we have no other bill [from the General Assembly], the board will have a 10th license to bid out anywhere," a high-level GOP aide in Springfield said. "That thing could go in downtown Chicago."

Still, gaming board members left little doubt Rosemont is next in line for a casino, even as they voted 4-1 against Emerald. They all distanced themselves from a comment by gaming board administrator Sergio Acosta, who said Rosemont had the "insidious presence of organized crime elements" that would make a casino there tough to police.

Gaming board members cited misleading statements by Emerald principal owners Donald Flynn and his son, Kevin, as their main

reasons for turning down the company. "I mean no disrespect against the Village of Rosemont," board member Stuart Levine said.

That places Rosemont out of range of the gaming board's guns. So much so that village spokesman Gary Mack joined Ficaro in spinning the vote as just another bump in the road in the 19-month casino saga.

Q. So how long before gambling starts in Rosemont?

A. Emerald will appeal the gaming board's ruling to an administrative law judge in a courtlike proceeding—a process that has taken between two and three years in other cases. The judge, appointed by the gaming board, will make a recommendation to the board, which can overturn

its previous decision.

Q. Is that likely?

A. That depends on the judge's recommendation and how much Emerald is willing to compromise with the gaming board. Board member Joseph Lamendella, who cast the lone vote for Emerald before resigning after Tuesday's meeting, said he thinks the company could be licensed in Rosemont by dumping certain shareholders—including Flynn and two investors with alleged mob ties—and hiring a well-known company to manage the casino.

"The conditions I mentioned: disassociation, divestiture, sale within a reasonable time and management by a top-flight, pristine public company takes care of all those problems and makes Rosemont otherwise suitable," Lamendella said.

Q. Is it really that simple?

A. Of course not. After the meeting, Ficaro said gambling regulators ruined the Flynn's negotiations. He said he planned to restore their good names during the company's appeal and in any future Emerald Casino would include them as shareholders. This could be a major sticking point between casino investors and the board.

Q. So what happens then

A. Emerald could continue its fight in the courts, which would take several more months. Even if the casino wins, Emerald investors have said it would take at least 10 more months to finish the partially built site. Construction was suspended about a year ago after the board indicated the pro-

ject's future was uncertain.

Q. *What if Emerald gives up or exhausts its legal options?*

A. Gaming board members didn't address this question. But the consensus among some experts is that the state's riverboat gambling act gives the board

control of the license.

"The way I read the riverboat gambling act . . . it would be conceivable for the gaming board to take the position the license could be forfeited," said state Rep. William A. O'Connor (R-Riverside), who served as outside counsel to the board between 1990 and 1998. "That could make a 10th license available for licensing someplace else."

Q. *If that's the case, would minority ownership requirements the state placed on the casino remain in place?*

A. Board member Staci Yandle, a black woman, said her greatest regret in denying the license was that Emerald was giving minorities an unprecedented opportunity to invest in a gambling venture. She likely would push for minority ownership requirements if the board took control of the license.

Q. *What about a Lake County casino group's lawsuit that claims the state law directing Emerald and the casino to Rosemont is unconstitutional?*

A. A Cook County judge dismissed the suit last week, saying Lake County Riverboat L.P. didn't have standing to bring the case. But the Lake County investors aren't ruling out an appeal and will wait to see how Emerald responds to the gaming board, their attorney Michael Dockertman said.

Contributing: Dave McKinney

Binion to sell Joliet riverboat as part of board settlement

BY TIM NOVAK
STATE GOVERNMENT REPORTER

Jack Binion is cashing in his casino chips.

Binion has agreed to sell the Joliet Empress Casino, dropping his fight against the Illinois Gaming Board that allowed him to buy the gambling emporium, but then later refused to let him run it.

"He needs to find a buyer within 150 days," Binion's attorney William Kunkle said Tuesday after the board voted 4-1 to approve the settlement with the legendary casino operator.

Binion has no plans to sell the Hammond Empress Casino. He paid \$609 million for the Joliet and Hammond boats in late 1999. Industry sources say Binion could get as much as \$500 million for the Joliet boat.

Binion had been battling Illinois regulators since July, when the board declared he was unfit to run a casino, partly

because he once posted a \$2 million bail for a high-roller so he could gamble at Binion's Nevada casino.

The board's decision stunned industry observers because the board had given Binion permission to buy the Joliet Empress casino a few months earlier. Between the time Binion bought the casino and the board denied his operator's license, an internal report was leaked to the media showing the gaming board staff had urged the board to reject Binion's attempt to buy the Joliet boat.

Binion will keep operating the casino for 120 days, an agreement that troubled gaming board member Joseph Lamendella, who opposed the settlement.

"The board found Mr. Binion unsuitable," Lamendella said. "How do you compromise integrity? Jack Binion should be either in or out of Illinois right now."

MOB TIES SINK ROSEMONT CASINO

GAMING BOARD REJECTS PROJECT, CITING 'INSIDIOUS' LINK TO CRIME

BY TIM NOVAK
STATE GOVERNMENT REPORTER

Rosemont's long-awaited casino was shot down Tuesday by the Illinois Gaming Board amid fears the mob had infiltrated the ownership.

"Casino gambling operations in this country have long been targeted by organized crime. Unfortunately, there is evidence organized crime has attempted in this case to gain such a foothold," said Sergio Acosta, the gaming board's administrator and a former federal prosecutor.

Acosta said two unidentified shareholders in the casino had links to the mob, while a mob-connected construction firm has worked on the casino project.

"The investigative record establishes the insidious presence of organized crime elements associat-

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Casino

Continued from previous page

ed with this proposed project that cannot be ignored," Acosta said.

Besides the fear of organized crime, Acosta urged the gaming board to reject the Emerald Casino because the key owners, Donald Flynn and his son Kevin, lied to state regulators who investigated the group's top owners.

The board rejected the casino deal by a 4-1 vote. Then the members quickly and emphatically said their rejection had nothing to do with organized crime allegations the Chicago Crime Commission leveled against Rosemont Mayor Donald Stephens earlier in the meeting.

"I'm not convinced . . . Mayor Stephens has ties to organized crime," said Joseph Lamendella, the only board member who supported the deal. "I believe this village and mayor would have been an asset to gambling in Illinois."

Lamendella resigned from the board after the meeting. His term had expired last summer, and he had not been reappointed by Gov. Ryan. Lamendella kept serving because he had not been replaced.

Stephens, who did not attend the meeting, labeled the mob allegations "nonsense." He pointed out that "the board said some pretty nice things about Rosemont."

Stephens, in an exclusive interview with the Chicago Sun-Times, angrily rejected suggestions he or his village have links to the mob.

"There is no tie to organized crime in the village of Rosemont," he said. "I've been mayor here for 45 years. There is no tie to organized crime."

Stephens said he was surprised the board rejected the Flynn group, but vowed to keep fighting for a casino, possibly with other owners.

"Did you ever see me give up?" Stephens said. "The village of Rosemont is really not interested in who owns the casino. That has never been the case. Our attorneys are going to have to talk to Emerald

Door for Rosemont casino still open; analysis, Page 6

. . . because there is a development agreement between Emerald and the village of Rosemont."

Lamendella told Emerald attorney Michael Ficaro that the board might approve the group if there were a change in ownership. Stephens said that is something the Flynn might want to consider.

The mayor has been at odds with Kevin Flynn because he once told Stephens he would "save Rosemont and the world." Stephens called Flynn an "idiot."

"The current stockholders would have to make some kind of accord if anything is going to be salvaged with the gaming board," Stephens said.

The Emerald has nearly 60 investors, including Walter Payton's widow Connie, former Chicago Bear Shaun Gayle and Chaz Ebert, wife of Sun-Times critic Roger Ebert. All three were in the audience

Tuesday.

Kevin Flynn said he has no intention of selling his stake.

"I'm outraged," Flynn said. "To make allegations of misleading testimony and never allow me to address the specific falsehoods that they claim, it's absurd."

"I'm worried about my reputation," he added. "We'll fight this. My kids may fight this fight. We will pursue this to the highest court able to pursue this."

Flynn denied there was any discrepancy between his statements to state regulators and the sworn depositions he gave in a lawsuit filed by billionaire Marvin Davis, who accused Flynn of reneging on a deal to let Davis own part of the casino.

Stephens has sought a casino for years, arguing it would be the crowning jewel in his tiny suburb. But state law prohibited casinos from operating in Cook County until the Legislature, with Stephens' help, changed the law in 1999 so the Flynn could move their shuttered casino from East Duquene to Cook County.

p. 2

How 'lies' sunk casino

Board members said 'misleading statements' and 'insidious' links to mob soured deal in Rosemont

By SHAMUS TOOMEY
Daily Herald Staff Writer

The biggest obstacle in the path of Rosemont Mayor Donald E. Stephens' long-held dream of bringing a casino to Rosemont was seemingly navigated in 1999.

It was the General Assembly that stood in his way, not the Illinois Gaming Board, a group seen more like a gaming industry cheerleader than a regulatory body.

So when Stephens persuaded lawmakers to rewrite the laws to open up Rosemont to gaming and prop up the horse racing industry along the way, it seemed like a sure bet. Stephens even started building a \$40 million parking garage for the complex.

On Tuesday, the dream sank — at least for now.

After its investigators unleashed a blistering report alleging "insidious" organized crime ties and repeated lies by top casino officials, the gaming board sternly rejected Emerald Casino's plan to bring legalized gambling to Rosemont.

By a 4-1 vote, the regulatory body made up entirely of recent Gov. George Ryan appointees flexed its independence over gambling interests in a move that now muddies the water for tax revenue pegged on the proposed casino. In the end, despite allega-

See CASINO on Page 4



Illinois Gaming Board members Mac Ryder, left, and Staci M. Yandle listen Tuesday as Kevin Larson, president of Emerald Casino Inc., talks about plans for a riverboat in Rosemont. The board voted down the plans.

Associated Press Photo

Elgin glad it won't lose customers

By TOM O'KONOWITZ
Daily Herald Staff Writer

The decision by the Illinois Gaming Board Tuesday to reject the Rosemont casino proposal came as good news to Elgin leaders, who predicted a new casino in Rosemont would have cost the city more than \$7 million in 2002 alone.

"It's very good news for us — Rosemont definitely would have had a negative impact on us," said Elgin Mayor Ed Schock. "A lot of our customers come to us from the suburbs east of us around Rosemont, and we might have lost

them."

Assuming the Rosemont casino would become a reality, Elgin officials estimated the city's share of proceeds from its Grand Victoria Casino would drop to \$13.3 million in 2002 — a significant decline from the \$20.4 million projection for this year and the more than \$25 million generated last year.

Now, while quite pleased to regain the \$7 million that could have gone to a new casino in Rosemont, Elgin City Manager Joyce Parker said the city still will remain careful not to

See ELGIN on Page 4

WHAT THEY SAID:

"This certainly smacks to me of an independent decision and a courageous one."

— Sen. Steve Rauschenger,
Elgin Republican

"Five arrogant board members and staffers are going to sully my reputation and then not even tell me what they're sullyng it about."

— Kevin Flynn
CEO of Emerald Casino

What's next?

Tuesday's action by the Illinois Gaming Board to deny a license for a Rosemont casino is far from the last word in the complex legal and political battle. Here are two paths the issue could take in the coming months.

Appeal the decision

Emerald plans to appeal the gaming board's denial to a judge who, according to state law, would be required to hold a hearing and present a recommendation back to the gaming board.

File a lawsuit

If the judge's recommendation goes against Emerald, the company has said it would file a lawsuit contesting the ruling. That case could take years to resolve.



CASINO: Owners deny they lied

Continued from Page 1

tions of organized crime ties to both Stephens and to two unnamed Emerald shareholders, gaming board members said the proposal sank under the weight of alleged lies by top Emerald officials to the gaming board. Emerald officials deny they lied.

"I want to clarify that my vote has nothing to do with Rosemont or Mayor Stephens," gaming board Chairman Gregory C. Jones said. "My vote is based solely on the conduct, the actions and the statements of the licensees and its representatives and key persons."

In fact, nearly the entire board distanced itself from its own investigators' direct criticism of Rosemont, leaving open the possibility that a casino could still come to the suburb someday.

Commissioner Joe Lamendella, the lone dissenter in the vote to reject, defended both Stephens and Rosemont, saying it is a town of "loyal Americans, not gangsters."

He suggested the casino could have been approved if Emerald had reworded its ownership by removing top owner Donald Flynn and brought in a major casino operator to manage the boat. After the roomed cleared, Lamendella quit the gaming board, saying he has lost his "zeal and passion."

Before the vote, gaming board Administrator Sergio Acosta, a former prosecutor, summarized the board's 16-month probe of Stephens, Rosemont and Emerald. Before a roomful of proposed Emerald shareholders including former Chicago Bear Shaun Gayle and Walter Payton's widow, Connie, Acosta said investigators found an "insidious presence of organized crime elements associated with this proposed project that cannot be ignored."

That, Acosta said, includes two Emerald shareholders with close ties to Chicago organized crime figures. He said it also includes known members of organized crime controlling construction at the Rosemont site, where work on the casino had begun.

But the part of the report in which board members appeared to put the most credence was allegations that owner Donald Flynn, a former Waste Management executive, and son Kevin Flynn, Emerald's chairman and CEO, lied to gaming board investigators during the probe.

"During the course of our investigation, it has become clear that Don-

ELGIN: Grand Victoria officials are still cautious

Continued from Page 1

become too dependent on the casino.

"We've always taken a conservative approach to projecting our revenues from the riverboat in case another casino comes in and causes our revenue to drop," Parker said. "And we don't use any of our (casino) revenue for our operating funds — we only use it for redevelopment and major one-time projects."

She said the city hopes riverboat revenues will pay for the bulk of the proposed \$31 million family recreation center and the 10-year riverfront redevelopment project. Casino money also has paid for numerous street reconstruction projects, repairs at the city's two aquatic cen-

ters, business improvement loans and facade improvement projects for local businesses, she said.

Schock said funding such redevelopment and revitalization projects was the initial intent of the state's riverboat casino program.

"The boats are supposed to be in older river communities like Elgin that fell on economic hard times, and they are supposed to provide the community with some economic stimulus," Schock said. "I've said all along Rosemont doesn't meet those original criteria — (a casino license) ought to be given to a community that meets those criteria."

Pete Dominguez, general manager of the Grand Victoria, also acknowledged the state gaming

board is sparing his casino a major loss of cash; but he said he will still operate as if the Rosemont casino were approved.

"We don't know what could happen in the future — something could change and the casino could end up in Rosemont," he said.

He said in 1999, after first word of the Rosemont casino proposal, Grand Victoria management decided to launch an intense program to keep current customers and find new ones.

"We're bringing in new games and attractions," Dominguez said. "We're going to keep things fresh so we can keep our competitive advantage when a casino finally does move in somewhere around us."

ald and Kevin Flynn have repeatedly made false and misleading statements regarding matters material to this board's assessment of the renewal application," Acosta said.

Acosta did not say when the alleged lies were made or what matter they concerned. Board officials declined to elaborate. But during Acosta's brief summary, he alluded to his investigators poring over depositions from a lawsuit filed by California oil tycoon Marvin Davis, who alleged the Flynn's reneged on a deal to give him a 32 percent cut of the casino. An infuriated Kevin Flynn on Tuesday again denied such a deal was ever made. But he said he has no idea if Acosta's comments referred to the Davis case or other issues, adding he never lied to investigators during 100 hours of questioning about the casino.

"Five arrogant board members and staffers are going to sully my reputation and then not even tell me what they're sullying it about," said Flynn, who said he is considering a slander suit.

That won't be the only legal action. Emerald officials promised to follow the license denial appeal process outlined under state law once it receives written notification from the board, which could take three weeks. Emerald's appeal will be heard before an administrative law judge in a trial of sorts. That judge's opinion will then be sent back to the gaming board. If the judge also votes

to deny Emerald, Emerald attorney Michael Ficaro said the casino will go to an appellate court, a move that could halt the process for years, holding up gaming tax revenue that was to be diverted from the casino to Illinois racetracks and to 71 suburbs who would split Rosemont's take.

Tuesday's vote was set up by the 1999 change to the state's gaming law that opened up Cook County to casinos and allowed Emerald, then known as H.P. Inc., to transfer its license from its shuttered riverboat in East Dubuque to another spot in Illinois. Because Stephens had helped get the 1999 changes passed, it was long assumed that Rosemont would get the boat. In fact, with the blessing of the old gaming board, construction began. But the board was later reconstituted with new members, construction was halted and the board ruled it did not have to just rubber-stamp the Rosemont plan, but probe it as well.

State Sen. Steve Rauschenberger, an Elgin Republican whose district includes the Grand Victoria Casino, applauded Tuesday's decision.

"This certainly smacks to me of an independent decision and a courageous one," he said.

While the board voted to strip Emerald of its license, board officials said that would not happen until appeals are exhausted.

Rosemont officials took solace in several board members saying the

town was a perfect spot for a casino — just not this one. So the village will continue to pursue a casino, be it Emerald or another group, village spokesman Gary Mack said. "The board indicated they are with Rosemont," he said. Rosemont does not seem to be the problem here. ... You don't pick up and go home just because of something like this."

Meanwhile, Mack took issue with statements about organized crime ties to Stephens and Rosemont. He criticized a report made to the board Tuesday by Wayne Johnson, chief investigator of the Chicago Crime Commission, which tracks organized crime.

Johnson detailed a list of reputed organized crime figures that he said have ties to Stephens including former Mob boss Sam Giancana, who Johnson said had business dealings with Stephens, and Peter DiFronzo, owner of D&P Construction, which is working on the casino site and donated to Stephens' political fund.

Mack said Stephens, who has denied ties to organized crime, offered Tuesday to donate that money to charity. Mack called Johnson's report "cloak and dagger character assassination ... that smacks of McCarthyism." He said Acosta's report was "wrong" about organized crime and that there "is none of that in Rosemont."

Daily Herald staff writers Eric Krol and John Sharp contributed to this report.

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Casino companies woo Rosemont mayor

BY CHRIS FUSCO AND TIM NOVAK
STAFF REPORTERS

Rosemont Mayor Donald E. Stephens was besieged with calls Wednesday from some of the nation's largest gambling companies, all seeking his support should they have a chance to do business in his suburb.

MGM Mirage, Harrah's Entertainment, Isle of Capri Casinos and former Mirage executive Steve Wynn—now a Las Vegas casino developer—were among the suitors, a source said. Their greetings came as Emerald Casino's board of directors met Wednesday afternoon in the wake of the defeat state gambling

regulators handed them a day earlier.

The Illinois Gaming Board rejected the company's application to relocate its gaming license from East Dubuque, where it ran a failed casino, to Rosemont. Members said two of Emerald's key investors, former Waste Management executive Donald Flynn and his son Kevin, lied to state employees investigating the group's top shareholders.

While Kevin Flynn and Emerald attorney Michael Ficaro vowed Tuesday to appeal the board's decision, sources close to the company said its shareholders also are discussing ownership changes that might lead to a deal that allows the casino to open.

Board member Joseph Lamendella, who resigned after Tuesday's meeting, said management by a "top-flight, pristine public company" might help persuade regulators to change their minds.

Stephens could not be reached for comment about the conversations he had with casino companies, some of which previously had expressed interest in building a casino in Rosemont. Stephens couldn't deal with those companies because the Flynns and their shareholders controlled the gambling license.

That would change if Emerald sold shares to one of the companies and allowed new management of the planned casino. Casino

developers also want to be in the mayor's good graces should Emerald lose its license and the Gaming Board put it out for bid.

Casino companies contacted by the Chicago Sun-Times on Wednesday didn't go into specifics about Rosemont. But Alan Feldman, vice president of public affairs at MGM Mirage, said the company always is looking for potential growth opportunities.

"Growth is part of our future," Feldman said. "We see the need to investigate in any viable, legitimate opportunity."

Gov. Ryan said Wednesday he thinks Gaming Board did the right thing in rejecting Emerald Casino's license bid.

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Mob links hurt Rosemont casino bid

By CHRIS FUSCO
SUBURBAN REPORTER

The Illinois Gaming Board Tuesday released more than a dozen pages of reasons for revoking Emerald Casino's state gambling license and denying its request to open a Rosemont gambling barge.

Mob ties, lies by company executives and a decision to begin building the Rosemont casino without gaming-board approval all were cited in two legal orders from the board.

Their release set off what could be a long battle in the northwest suburb. Emerald is denying the board's allegations and plans to file an appeal, which it must do by the end of business Tuesday.

"The company disagrees with the preliminary findings and intends to file its response," Emerald President Kevin Larson said in a news release. Emerald officials declined to comment further.

The company, the board said, failed to conduct a

proper investigation before allowing a trust held by Sherri Boscarino, wife of reputed mobster Nick Boscarino, to get a stake in the planned casino. Joseph Salamone, another reputed organized crime figure, was another investor.

Gaming board investigators also learned that one of the subcontractors working on the casino site was D&P Construction. The owner of that company, Josephine DiFronzo, is married to Peter DiFronzo and is the sister-in-law of John DiFronzo, both of whom have been connected to the mob, according to the gaming board.

Emerald's decision to hammer out an agreement with Rosemont to begin construction compromised its financial integrity and business practices, the board ruled. Emerald already has spent about \$25 million on the project.

The board also cited misleading statements by principal owners Kevin Flynn and his father, Donald, regarding the selection of Rosemont as a site.

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Illinois pulls license held by Rosemont casino group

State regulators' move
could be a fatal blow
to Emerald's chances

By Douglas Holt
TRIBUNE STAFF WRITER

State regulators said Tuesday they were yanking a long-dormant gambling license held by a consortium of powerful investors trying to build a new casino in Rosemont, a move that ratchets up pressure on the group to give up the effort.

In letters hand-delivered to officials of Emerald Casino Inc., the Illinois Gaming Board laid out its case against the investors. It alleged the group was unfit to run a casino because some shareholders had ties to organized crime while others had lied to board investigators about backroom ownership deals.

The letters also revealed that the Emerald group, apparently confident it would get a green light from the board, had already spent \$25 million laying a foundation and erecting steel girders before running afoul of state regulators. Previously, Emerald officials had said they had spent less than half that amount.

In January, a year after that money was spent, the board voted 4-1 to deny permission to the company to operate a gambling boat in Rosemont. Tuesday's letters amplified the reasoning behind that decision while also signaling the panel's intent to make it hard for the investor group to win permission for the casino through an appeals process.

Under a different name the Emerald group operated the Silver Eagle casino in East Dubuque, which closed in 1997. But the Emerald retained the license and sought to move it to Rosemont with the aid of a tailor-made 1999 state law for which officials of the casino lobbied intensely.

SEE CASINO, BACK PAGE

Casino: The Emerald, once a seemingly sure bet, loses its license.

Without that license Emerald would lose any edge that it held under the law over competing companies also seeking permission to open the state's 10th casino.

Mob-tainted shareholders wound up as proposed owners of the Emerald, the board said in its complaint, because Emerald officials, led by former Waste Management executive Donald F. Flynn, failed to investigate the background of other investors. According to the complaint, Flynn told the board he knew nothing about some proposed owners because "if they were willing to come up with the money, I didn't really care."

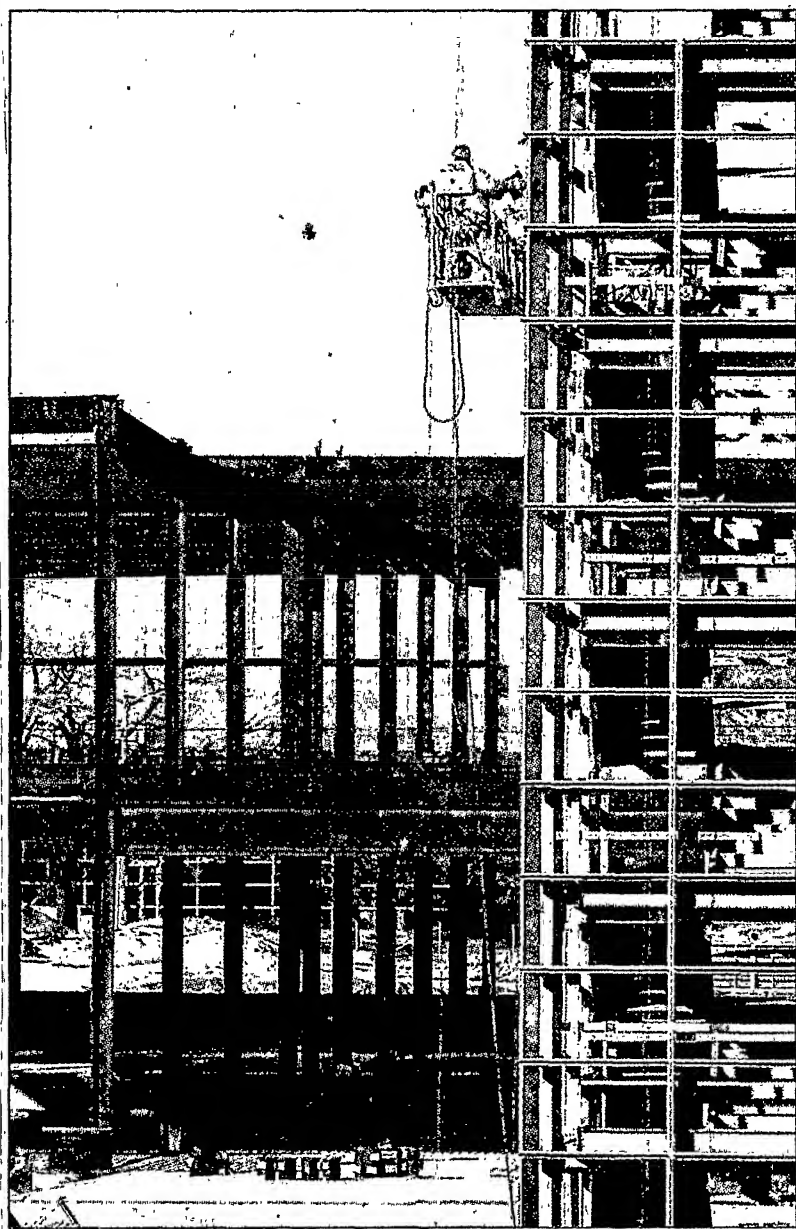
The letters identify for the first time the investors that board investigators contend have mob ties: Nick Boscarino, a former Teamsters official and former business partner of Rosemont Mayor Donald E. Stephens, and Joseph Salamone, the owner of Fair Share Foods, an Oak Park grocery on Roosevelt Road.

In a three-sentence written statement, Emerald President Kevin Larson said the company declined to comment other than to say it plans to appeal the decision and "disagrees with the preliminary findings."

The casino had once seemed a sure bet and attracted a bevy of politically connected shareholders, who bought in at a rate of roughly \$1.5 million for each 1 percent stake. They include the wife of Timothy Degan, a top adviser to Chicago Mayor Richard Daley; Susan A. Leonis, a consultant for Rosemont and a friend of Stephens, Daley and Daley's wife, Maggie; and John M. Sisto, nephew of casino champion Ralph Capparelli, a

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Tribune photo by John Dziekan

Behind a garage under construction stands the steel skeleton of what was supposed to be the Emerald Casino.

Democratic state representative from Chicago.

The roster of shareholders also includes Boscarino, who once owned a trade-show forklift rental com-

pany with Stephens. Among other directors of that company, called American Trade Show Services, was William Daddano Jr., who is listed in the Chicago Crime Com-

mission's mob organization chart. The board's letter cited Boscarino's business relationship with Daddano as evidence of mob association. Boscarino could not be reached Tuesday.

Boscarino was one of several casino investors who became casino owners with the help of Stephens. In a sworn deposition last year, Stephens said he introduced Boscarino's wife to Joe McQuaid, an Emerald senior vice president and board member, when they attended a 1999 political fundraiser Stephens held at his home on Lake Delavan, Wis., after the casino law passed.

Salamone was identified as the brother and business partner of Vito Salamone, who the Gaming Board said has organized-crime ties. Vito Salamone originally had been listed as a casino shareholder, but his name was replaced by Joseph's without explanation, the complaint said.

When reached Tuesday at his grocery store, Joseph Salamone denied any connection or association with organized-crime figures.

"That's not fair," he said. "That's absolutely, and I mean absolutely, not true. What it is, is guilt by association. If you live in a certain community, you're tainted."

Vito Salamone could not be reached for comment.

The letters also cited Emerald for hiring D&P Construction, a Northwest Side firm with known mob connections, to do work at the casino site. D&P is owned by the wife of Peter M. DiFronzo, who in 1998 was forced out of the Teamsters Local 731 amid charges that he was chief lieutenant for his brother, Chicago mob boss John "No Nose" DiFronzo.

Since 1999 D&P and another DiFronzo-controlled firm, JKS Ventures, have given more than \$16,000 to political funds connected to Stephens. Stephens has maintained he is unaware of any problems with the company.

On Tuesday, Stephens' spokes-

man, Gary Mack, said the mayor is "certainly willing to, and I believe will, give that money to charity."

In addition to mob-associated shareholders, the documents said Flynn and his son, Emerald Chief Executive Officer Kevin Flynn, demonstrated a "continuous pattern... of providing false and misleading information to the board and its staff."

The board faulted Emerald officials for attempting to hide the pivotal involvement of Stephens in pushing their bid to open the casino in his town months before state law was rewritten to allow it. The board did not accuse Stephens of any wrongdoing.

In one case Kevin Flynn denied he had discussed or even considered Rosemont as a possible location for the casino. Under questioning he acknowledged he met with Stephens as early as 1997 but said the sole topic was the Blue Chip Casino, in Indiana, which Flynn ran at the time.

Stephens, by contrast, told the board that "the *only* subject discussed at the meeting was the relocation of the Emerald's riverboat gaming operation to Rosemont and that the subject of Blue Chip Casino never came up."

In declaring another series of statements false or misleading, the board put itself in the unusual position of deciding the merits of a federal lawsuit related to the casino. In the case, currently dismissed on jurisdictional grounds and under appeal, California billionaire Marvin Davis alleged Kevin Flynn had promised large ownership stakes in the casino to himself and former Arlington Park owner Richard Duchossois.

The Flynn's denied making any deals despite contradictory testimony from Duchossois.

The board's letter said Davis and Arlington officials had provided "credible evidence contracting Kevin Flynn's statements" claiming that no deal had been struck.

(Mount Clipping in Space Below)

Truth or slander? Casino plot thickens

Vito Salamone says he has no idea why the Gaming Board linked him to the mob

Vito Salamone runs a grocery store on Roosevelt Road in Oak Park, and until today, his name has never appeared in this newspaper.

But Tuesday the Illinois Gaming Board singled out Salamone as someone who "has been identified as having associations with known members and associates of organized crime."

Heckuva way to get your name in the newspaper.

"That's defamation of character, wouldn't you say?" Salamone asked me Tuesday evening.

I suppose it is, if it's false, but I imagine a lawyer would advise Salamone that he wouldn't get very far with a lawsuit either way.

Salamone said the accusation is definitely false.

"I don't know nobody in the Mafia. I never did. I never will. I'm allergic to those kinds of people. You can quote me on that," Sala-

mone said, taking a break from his duties at the grocery to politely return my call.

You'd think that if a guy was going to be publicly identified as an associate of organized crime, somebody would explain the basis for the accusation.

But that's not how things work at the Gaming Board, which threw out the unexplained allegation against Salamone as part of its effort to revoke the riverboat license held by Emerald Casino Inc., the company trying to locate a new casino in Rosemont.

Salamone's name was listed by Emerald in September 1999 as one of 64 prospective shareholders in the Rosemont casino. Later, he was



Mark
BROWN

(Indicate page, name of Newspaper, city and state)
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Sun- Times
Chicago, Illinois

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Edition: Late Sports Final

Title: Truth or slander? Casino plot thickens

Character:
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Classification:
Submitting Office: Chicago
Indexing:

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replaced on the shareholder list by Joseph Salamone, his brother and business partner.

I'm told he had 0.25 percent of a share, a tiny amount but enough to make him gloriously wealthy if the casino were built.

Among the many reasons that the Gaming Board now wants Emerald's license revoked is that it failed to properly investigate the proposed sale of shares to Salamone and therefore didn't turn up his alleged mob associations.

Salamone said he doesn't understand this.

"How could they even think something like that? I challenge anybody to prove that I'm associated with the Mafia, whatever that is. How could they slander my name like that?" Salamone said.

I certainly can't prove it, and the Chicago Crime Commission, which tries to keep track of these kinds of things, says it doesn't have anything on Salamone. But I don't doubt the Gaming Board has some evidence regarding Salamone that it will share at a later date if it becomes necessary.

What I didn't know when I talked to Salamone is that he once told Gaming Board investigators he was the owner of Cafe Cappuccino, a restaurant in Elmwood Park, a source tells me.

By coincidence, Cafe Cappuccino happens to be the same restaurant that was managed by Aldo Cardellicchio, a reputed Mafia fugitive from Italy, before federal marshals nabbed him last week.

Salamone didn't mention that.

Salamone, 45, said he came to Chicago from Italy about 35 years ago. His Italian accent is pronounced, but not so much that you'd have any trouble understanding his English.

Salamone and his brother operate Fair Share Finer Foods, an independent grocery at 6226 W. Roosevelt. They also have a cheese

company and a pasta business, which he declined to identify. Salamone lives in the western suburbs and has "four little kids."

"Every day, I go to all three jobs. That's what I do," Salamone said. "I work 60 hours a week."

I pressed Salamone about what possible reason the Gaming Board would have for thinking he was connected to

the mob.

He said he had no idea, but then added, "maybe because I eat at some restaurant where they hang around." Now it makes sense.

Salamone knew more than he was letting on, of course, even if he isn't an "associate" of the mob.

Gaming Board investigators questioned him about whether he knows several specific individuals, he admitted.

"I don't know none of them . . . maybe one of them," Salamone said, not sharing any names with me.

The real tip-off that Salamone was not being entirely frank with me came when I asked how he managed to join the exclusive club of investors who stood to make millions of dollars if the Rosemont casino was built.

This is the original deal where they don't want nobody that nobody sent.

But Salamone insisted: "I just applied. My brother applied. We both applied."

As if somebody put an ad in the paper and the rest of us just missed it.

When I asked who made the introductions, Salamone began making noises about needing to get back to work.

Salamone allowed that his share of the casino was supposed to cost "three hundred some thousand dollars."

It doesn't sound like we'll need to hold any tag days for the Salamones, even if they don't get their piece of the casino.

E-mail: markbrown@suntimes.com

Panel gives reasons for rejecting bid; Page 27

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SUNDAY, APRIL 1, 2001

METRO

CASINO BACKERS AIM TO DITCH MOB IMAGE

**WITH MONEY ON THE
LINE, PROMINENT
INVESTORS ARE
DEMANDING A
CLEAN DEAL**

BY CHRIS FUSCO
SUBURBAN REPORTER

Would-be operators of a Rosemont casino are working behind the scenes to scrub off the mob image thrown on them by the Illinois Gaming Board and get back the license state regulators yanked two months ago.

But they have to look over their shoulders as black and female investors—including Walter Payton's widow, former Chicago Bear Shaun Gayle and the chairman of one of the nation's largest minority-owned banks—consider suing them, alleging they botched the deal.

Publicly, Emerald Casino Inc. is denying the gaming board's allegations that two major investors lied about their business dealings and let mob-cied people potentially profit from the Rosemont gambling barge.

Privately, the company is considering plans to rid itself of questionable investors and seek a reputable gambling company to buy out those who have been stumbling blocks in the deal.

In the background are the black and female investors who helped Emerald meet a 20 percent minority ownership required by state law. With the company on the hook to repay Rosemont \$43 million for a parking garage and with \$25 million already spent on work at the casino site, those investors worry their money might already be gone.

"We went into this thing in good faith," said one minority investor, speaking on condition of anonymity. Now, "there's a lot of risk here."

A settlement with Emerald is legally possible but not some easy fix, sources close to the board said. ☐ Details, Page 11A

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P. 2



Kevin Flynn (left) and attorney Michael Ficaro at the Illinois Gaming Board hearing Jan. 30. The Michigan attorney general's office is reviewing a contract Flynn's Field Street Inc. has with a Las Vegas company to lobby against Indian tribes' efforts to open competing casinos. BRIAN JACKSON/SUN-TIMES

Emerald Casino owner defends lobbying pact

BY CHRIS FUSCO
SUBURBAN REPORTER

As Kevin Flynn sweats out Emerald Casino's future in Rosemont, the Michigan attorney general's office is reviewing a criminal complaint against another company he owns.

If charged and convicted, Flynn could face up to three years in prison for breaking a state lobbying law, a Michigan attorney general's spokesman said.

But in a recent interview, Flynn said he is "1,000 percent sure" Michigan investigators will find nothing wrong with the contract between his firm, Field Street Inc., and Boyd Gaming Corp. of Las Vegas.

Boyd, whose holdings include the Par-A-Dice casino in Downstate East Peoria, bought the Blue Chip Casino in Michigan City, Ind., from Blue Chip Casino Inc. for \$273.5 million in 1999. Flynn, his father, Donald, and brother Brian made millions on the sale, with Indiana Gaming Commission records showing

they had a combined 61 percent stake in Blue Chip before it changed hands.

Besides the sale, Boyd inked a five-year, \$2.5 million "consulting agreement" that called for Field Street to lobby against two Indian tribes' efforts to open competing casinos in Michigan. It also called for Field Street to get \$5 million if it succeeded in keeping the casinos from opening until after June 2004.

The complaint, filed by New Buffalo, Mich., resident Susan A. Rahm, contends the bonus violates a Michigan law that prohibits outcome-based payments to lobbyists. Rahm is the wife of New Buffalo Township Trustee Pete Rahm. The township would be among the parties to get a percentage of casino revenues should the Pokagon Band of Potawatomi Indians succeed in opening a New Buffalo casino.

"It appears clear that Mr. Flynn and/or Field Street and Boyd Gaming have an outcome-based contract that violates Michigan law," Rahm said in her complaint.

"These matters clearly require investigation."

Chris De Witt, a spokesman for the Michigan attorney general's office, said the matter is under review. He said he did not know how long investigating it would take.

Flynn declined to respond directly to Rahm's charges but said several attorneys have reviewed the contract.

"The lobbying that's being undertaken... has been reviewed by counsel from several reputable firms," he said. "All agree no issues exist."

The Indiana Gaming Commission fined Boyd \$1 million for not disclosing the contract with Field Street until after Boyd won approval to run the Blue Chip in Michigan City. The Illinois Gaming Board has accused Flynn of not being truthful about the Indiana pact, citing it as one of the reasons it is denying Emerald Casino's application to open its planned Rosemont casino.

Neither regulatory body has called the contract itself illegal or improper.

P. 3

Some who helped Emerald meet a 20 percent woman-and-minority threshold are considering suing the company's CEO, his father and management

BY CHRIS FUSCO
SUBURBAN REPORTER

In the two months since the Illinois Gaming Board yanked Emerald Casino's gambling license, the company has quietly worked to run itself through the washing machine.

Emerald is appealing the board's Jan. 30 decision. It denies having mob ties and that key shareholders lied to the board. Those were the reasons cited by the board when it rejected its application for a casino in Rosemont.

The company is looking to clean out the handful of shareholders allegedly linked to organized crime, several investors say.

Emerald also is in talks with several Las Vegas gambling companies interested in buying out CEO Kevin Flynn and his father, Donald, whom the gaming board has accused of lying repeatedly about casino dealings.

In return, Emerald would want state regulators to let the company's 50-plus other shareholders keep the license rather than revoke it.

Would the gaming board accept that or a similar compromise?

That's the multimillion-dollar question. And while a settlement is legally possible, there's no guarantee the board will wheel and deal.

Nonetheless, Emerald has good reasons to make its settlement pitch. It could run up a big legal tab appealing the board's decision, especially if it isn't resolved by an internal process expected to last several months. Also, black and female investors recently met at a Chicago health club to discuss legal action against the Flynn's and Emerald management, investors and other sources close to the company said.

Many of those investors, who helped Emerald meet a 20 percent minority-ownership standard in state law, feel cheated by the way the casino deal has gone down. Several have formed a committee that's studying what went wrong.

They fear their money might be lost forever because Emerald has spent \$25 million so far, according to the gaming board. It also is on the line to reimburse Rosemont more than \$40 million for a new parking garage next to the casino site east of Interstate 294.

"We felt that the door was being opened to women and minorities, and we went into this thing in good faith," said a minority investor, speaking on condition of anonymity. Now, "there's a lot of risk here." The big concern, the investor added, is that Emerald was assuring shareholders regulators would approve the deal despite signs it

was in trouble. Several in the minority group, including Connie Payton and former Chicago Bear Shaun Gayle, came to the gaming board's Jan. 30 meeting to hear what members had to say for themselves. Other prominent investors in the group include Jacoby Dickens, chairman of Seaway National Bank; lawyer Chaz Ebert, wife of Sun-Times film critic Roger Ebert, and Albert W. Johnson, a longtime South Side and south suburban car dealer.

The gaming board set a precedent for settling cases earlier this year when it allowed Jack Binion's

Horseshoe Gaming Holding Corp. to sell the Empress Casino in Joliet. State regulators approved the casino's sale to Binion but later declared him unfit to run it.

A settlement with Emerald won't come as easily, sources close to the board said.

Besides their problems with the Flynn's, gambling regulators don't like Rosemont's role in the planned casino. Several of their statements, however, suggested the village is an ideal casino site when they voted down Emerald's plans Jan. 30.

Rosemont spokesman Gary Mack

believes gaming board members still are enamored of the northwest suburb. It's possible that "one or two high-level people at the gaming board just don't like Rosemont," he said, "but the vast majority of the world thinks Rosemont is the right place to put this."

But the board's recently released written complaint against Emerald, one source said, sends "strong signals" that regulators aren't too high on Rosemont. Bpl-stering that theory is that two of the alleged mob-tied parties in the complaint are linked to Rosemont Mayor Donald E. Stephens

through \$25,000 in campaign contributions.

"The nature of this thing is Don Stephens having brought the Outfit guys to the party," said the Rev. Tom Grey, executive director of the National Coalition Against Legalized Gambling. "The price of making this happen was him saying, 'I'll control the entire thing for Rosemont.'"

The 120-page lease agreement between Emerald and the village shows signs of Stephens' influence. It mandated that a construction company whose owners were once indicted—and later cleared—with

Casino investors want alleged mob links cut



Mr. Las Vegas is chairman of Americans for Casino Entertainment.

Wayne Newton sings bettors' tune

BY CHRIS FUSCO
SUBURBAN REPORTER

Millions of Americans gamble each year. Now the industry wants to unite them behind a single anthem: "Danke Schoen."

Entertainer Wayne Newton, known as Mr. Las Vegas and known for his trademark song, "Danke Schoen," is chairing the first nationwide effort to promote gambling at the grass-roots level. The group, Americans for Casino Entertainment, hopes to harness the power of gambling enthusiasts to counter vocal anti-gambling groups.

"Forty million people a year go to Atlantic City, 39 million go to Las Vegas and millions more go to casinos in Illinois, Iowa, Missouri" and other states, said Frank J. Fahrenkopf, president and CEO of the American Gambling Association, which is organizing the citizens group. "If and when there's an unfair law, we want to motivate them to be of assistance."

The group hopes to attract members through a new Web site, www.aceaction.com, and through letters to people on casino mailing lists.

Test mailings began going to thousands of poten-

tial members during the last three weeks, Fahrenkopf said. In one letter, the 58-year-old Newton writes "powerful forces are at work in Washington and in state capitals."

"A new coalition is forming—a coalition of politicians and vocal anti-gambling groups that want to take away your right to enjoy casino gaming. They want to tell you how to behave, how to live and what kinds of entertainment you may choose. It's wrong and it's happening right now."

The first issue the group wants people to write Congress about is a proposed ban on college sports gambling in Las Vegas. The group contends the move only would create more illegal sports gambling operations. Eventually, Fahrenkopf hopes to use other entertainers to help recruit members.

Newton's involvement with the pro-casino group doesn't faze one of the nation's leading anti-gambling activists so far.

"If that's the best you can do, none of us are intimidated by it," said the Rev. Tom Grey, a United Methodist minister from the Rockford area. "It's a move that shows me we are having an impact at this point."

It's possible "one or two high-level people at the gaming board just don't like Rosemont, but the vast majority of the world thinks Rosemont is the right place to put this."

—Rosemont spokesman Gary Mack

him would oversee the work.

Rosemont even wanted to control the landscaping.

"I want it to look like Disney World. It's a tourist attraction, and we want it to look like that," Stephens told the Sun-Times in September. "We want to control the Christmas decorations."

"There's nothing devious or sinister about the whole thing," Stephens added.

But the gaming board complaint states that "certain terms" of the lease "tend to discredit the Illinois gaming industry and/or the State of Illinois." It goes on to say that the lease allowed "the village of Rosemont to waive the requirement that Emerald first obtain the necessary regulatory approval from the board prior to commencing construction."

The lease also failed "to provide Emerald with the ability to exercise appropriate supervision or control" over casino construction. The company stopped work at the site in February 2000 after the gaming board warned that continuing would be illegal.

Mack called the complaint's statements about casino construction "laughable."

"The whole world knew it was going on. The previous chairman of the gaming board even came out and visited the site shortly after the groundbreaking," he said. "I find it hypocritical the board would take a holier-than-thou approach."

As for campaign contributions, Nick Boscarino, whom the complaint calls a "known associate of organized crime," has given Stephens \$20,000 since November 1999. Boscarino denies any associations with the mob, but his wife, Sheri, is considered one of two



JEAN LACHAT/SUN-TIMES

Two of the alleged mob-tied parties in the Illinois Gaming Board's complaint against Emerald Casino are linked to Rosemont Mayor Donald E. Stephens (above) through campaign contributions.

mob-tied casino investors named by the board in the complaint because she's married to Nick Boscarino. The other did not donate to Stephens' campaign fund.

Besides Boscarino, Stephens received \$8,000 in contributions from D&P Construction Inc. since October, 1999. D&P, the gaming

board claims, is a mob-tied company that was working at the casino site.

Regardless of how gaming board members feel about Emerald and Rosemont, their actions so far have several municipalities and high-profile casino companies licking their chops. Should Emerald's

gaming license be revoked, state law would require the gaming board to take control of it.

Where it goes from there is subject to legal interpretation.

Interpreted narrowly, state law would require the license to go back on the Mississippi River, where Emerald's failed Silver Eagle

casino once floated, said Chicago attorney William Kunkle, the gaming board's first chairman. Interpreted broadly, the law would allow any Illinois community, including Chicago, to be home to the boat-in-a-moat envisioned for Rosemont.

Waukegan and Calumet City officials long have lobbied to have casino cash flowing into their coffers, and Kunkle represents a Rockford casino group.

Another group, Lake County Riverboat L.P., has pledged to continue its fight to get the license through court action. It claims state legislators approved an unconstitutional law that opened the door for Emerald to move to Rosemont in the first place. A Cook County judge recently denied the company's request to rehear the case, setting the stage for an appeal.

Another scenario has state lawmakers intervening and awarding Emerald's license to the Miami Indians in exchange for them dropping a lawsuit staking their claim to 2.6 million acres of land in 15 Downstate counties. Thomas C. Wilmot Sr., a New York shopping mall developer, told the Associated Press in January that he has paid "most of the legal fees" in that case because of the potential to develop a casino. Tribe officials did not return phone calls seeking comment. And how this would affect black and female Emerald investors is unclear.

Finally, a bill pending in Springfield might put the Rosemont casino plan back on track. It aims to combine the state's horse racing and gaming boards, which anti-gambling groups fear puts the gaming board's decision to revoke Emerald's license in jeopardy.

Rosemont casino detractors get boot from governor

■ Gaming Board: Two businessmen named

THE ASSOCIATED PRESS

CHICAGO – Two members of the Illinois Gaming Board who provided key votes against building a new riverboat casino in Rosemont got their walking papers Friday from Gov. George Ryan.

Ryan announced that he would not reappoint East St. Louis attorney Staci Yandle and Springfield attorney Mac Ryder, who had both asked the governor to let them remain on the board when their terms ended in July.

Filling their slots are two Chicago-area businessmen, real estate developer Elsie L. Higginbottom and consultant Robert A. Mariano. Higginbottom, 59, is an ally of Chicago Mayor Richard Daley, while Mariano, 51, is the former CEO of Dominick's Finer Foods.

"Elsie Higginbottom and Bob Mariano will bring fresh perspectives to the board grounded in their successful business careers," Ryan said in a statement.

Gambling opponents accused the governor of using the appointments to stack the deck in favor of bringing riverboat

gambling to Rosemont, a Chicago suburb adjacent to O'Hare International Airport.

"Gov. George Ryan is sending a very clear message that if you don't go along with what I send you, I'm going to replace you," said Tom Grey, the Rockford-based executive director of the National Coalition Against Gambling.

Ryan signed the 1999 law that paved the way for Emerald Casino Inc. to move its license from a failed East Dubuque site to Rosemont. The law said the Gaming Board "shall" approve the move, but board members decided it didn't override their licensing authority and ultimately voted against Emerald.

Higginbottom and Mariano both said Friday that they do not come to the board with any preconceived notions, including on the Emerald case.

"I think what people will tell you is that I'm a pretty independent thinker," Higginbottom said.

Mariano acknowledged that he may have a difficult time overcoming the perception that his appointment to the board was a political move.

"There can always be the perception that something isn't right or is awry," Mariano said. "You can't be willing to bend to those who are pro or those who

are con. You have to look at the facts presented to you."

Ryder said Friday that he was disappointed by the governor's decision.

"I thought that we were making the correct decisions and that our work was very important," Ryder said.

Higginbottom, the chairman and CEO of East Lake Management and Development Corp. in Chicago, also serves as co-chairman of Ryan's Workforce Investment Board. He is a close friend of Daley's and an important ally for the mayor in Chicago's black community.

Many of the minority investors in the Emerald casino are connected to Daley.

Mariano runs La Cucina Mariano, a food service consulting firm in Lake Forest.

Ryan spokesman Dennis Culloton said Ryder and Yandle both did fine work, but the

governor simply wanted to bring "new energy, enthusiasm and ideas" to the board. He said Ryan has never talked to board members about their votes nor tried to influence them.

Yandle has served on the board since October 1999, while Ryder was appointed in February 2000.

Ryan has replaced three of five members who were on the board during the Emerald vote. Ira Rogal, a partner in a suburban Chicago lobbying firm, was appointed to the board in April. He replaced Joseph Lamendella, who resigned after casting the lone vote in favor of the Emerald move.

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2 replaced on Gaming Board

Ousted members had voted against Rosemont casino

By Douglas Holt
Tribune staff reporter

Gov. George Ryan on Friday pulled two members off the Illinois Gaming Board who had voted against a proposed Rosemont casino and replaced them with a former Dominick's executive and a real estate developer who has close ties to Chicago Mayor Richard M. Daley.

Now, as key decisions on the casino project lie ahead, three of the five members will be new to the board. Ryan appointed accountant and registered lobbyist Ira Rogal to the board in

April.

New member Elzie L. Higginbottom, 59, is chairman and chief executive officer of East Lake Management and Development Corp., which has donated more than \$20,000 to Ryan since 1999. He is a longtime Daley supporter who has won contracts with the Chicago Housing Authority and O'Hare International Airport.

The other appointee, Robert A. Mariano, 51, was president, CEO and chief operating officer of Dominick's Finer Foods before it was bought by Safeway Inc. in 1998. He now manages a food service consulting company, La Cucina Mariano LLC.

"The work of this board is important," Ryan said in a statement. "Today's appointments simply reflect my desire to keep infusing it with top-flight people

who bring new energy, enthusiasm and ideas."

Past board members had served for up to nine years, but both outgoing members had served less than three years.

"I'm very disappointed the governor did not reappoint me," said Mac Ryder, a former staff lawyer to the board who had become an outspoken foe of the Rosemont casino owners.

The other ousted member, Downstate lawyer Staci Yandle, said she "definitely had an interest" in staying in the position.

The board soon must decide whether a Rosemont casino ownership group accused of repeatedly giving board investigators false information and offering casino shares to owners with mob ties should now be allowed to profit by selling the ca-

sino license.

A sale—rather than revocation—of the license would help minority and women investors brought into the Rosemont casino project. They include a host of Daley allies, such as the wife of top Daley adviser Timothy Degnan.

The board had built a reputation as a casino regulator rather than cheerleader, rejecting not only the Rosemont proposal, but sending Las Vegas casino boss Jack Binion packing after concluding he had engaged in questionable business practices.

Casino critic Rev. Tom Grey said it was the wrong time to change a regulatory body in the midst of complex investigations. He called the action a "blatant intervention" designed to reverse regulatory action against a well-connected casino.

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Ryan replaces 2 on Gaming Board

Ousted members had voted against Rosemont casino

By Douglas Holt
Tribune staff reporter

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EDITORIALS

Ryan packs the gaming board

Leprechauns pull many of their tricks in the dark of night, when no one is watching. Politicians pull theirs late on busy Fridays, when news outlets are preoccupied with breaking news like, say, a mayor's complex proposal to overhaul a world-class airport.

Gov. George Ryan can play the late-Friday stunt to perfection. With Mayor Richard Daley's O'Hare International Airport plan sure to dominate local news into the weekend, Ryan slyly dumped two respected Illinois Gaming Board members who helped defeat a Rosemont casino proposal reeking of politics and alleged mob ties.

Within certain bounds, Ryan is entitled to name whom he wishes to the gaming board. No law forces him to retain independent-minded members such as Sterling "Mac" Ryder and Staci Yandle, who refused to be rubber stamps for the gambling industry. But if the three new members Ryan has named in recent months now reverse the board's earlier decision, or otherwise give organized crime a foothold in a casino, Ryan and a lot of his fellow Republicans could pay a terrible price.

Many voters—Republicans included—are fed up with Ryan and the corruption that suffused the Illinois secretary of state's office when he ran it. Federal authorities haven't finished peeling back the layers of that scandal, about which Ryan says he knew nothing. Why Ryan now would invite more public scrutiny by dismantling the gaming board when a case with organized crime implications is alive is a mystery. But if his actions mean the fix is now in for this casino deal, count on Democrats to hang that bla-

tant chicanery around the necks of GOP candidates in 2002.

In January, the gaming board voted 4-1 to reject efforts by Emerald Casino Inc. to open a casino in Rosemont. The board's administrator said an investigation had found "the insidious presence of organized crime elements associated with this proposed project," and said officials of the politically connected Emerald had "repeatedly made false and misleading statements" to the board.

Emerald has appealed the board's rejection. Some of Emerald's well-connected investors worry that they'll lose big bucks—something they should have considered before getting in bed with partners they didn't investigate.

The danger is that a kinder, gentler gaming board will reverse the January vote, or enter into a sleazy legal settlement with Emerald. Such a settlement could permit Emerald to open the casino after all—without requiring that all of the questionable investors get out of the company.

Either outcome would violate the spirit of the gaming board's courageous January decision. The board was so dead-set against Emerald profiting from its alleged sins that it went so far as to revoke the pre-existing license that Emerald hoped to activate in Rosemont—another decision Emerald wants to overturn.

Ryan's new appointees to the gaming board—lobbyist Ira Rogal and businessmen Elzie Higginbottom and Robert Mariano—can stand firm, or cave in to pressure from forces friendly to Emerald. But if they cave, even doing so late on a Friday wouldn't shield them or Ryan from the wrath of citizens who've had a bellyful.

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(Mount Clipping in Space Below)

Stephens lawsuit hits charges of mob ties

BY TIM NOVAK
AND CHUCK NEUBAUER
STAFF REPORTERS

Rosemont Mayor Donald Stephens slapped a defamation suit against the chief investigator for the Chicago Crime Commission for implying the mayor is a "business associate of organized crime."

Stephens says his "distinguished reputation" has been damaged by Wayne Johnson, the crime commission investigator who told the Illinois Gaming Board in January that the mayor had a "litany of associations" with organized crime members or their associates since the-1960s. Johnson was opposing a plan to put a casino in Rosemont.

Stephens filed the suit Wednesday in Cook County Circuit Court against Johnson as an individual. The mayor did not sue the crime commission. The suit seeks at least \$30,000 in damages from Johnson.

"I don't want anything," Stephens said Thursday. "All I want is this crap to stop. I'm 73 years old. I don't want to go into the box [with people] thinking I'm an associate of organized crime."

Stephens said his troubles go back to the early 1960s, when he and a partner bought a Rosemont hotel from a nephew of crime

boss Sam Giancana. But on Thursday, Stephens acknowledged, "I don't think there was any question Sam Giancana was the owner." Stephens said the Giancana connection made it hard for him and his partner to get a mortgage, so Sam Giancana financed the deal for a few years.

"I can thank Mr. Giancana's notoriety for all the problems I have had," the mayor said.

This was among the deals Johnson mentioned when he urged state regulators to block the Emerald Casino's plans to open in Rosemont.

The regulators rejected the deal, saying

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Newspaper, city and state)
Pg. 10

Sun-Times
Chicago, IL

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4 ARTICLES OF INTEREST.
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two of the casino investors had mob ties.

Johnson could not be reached for comment. Last week, Johnson denied that he depicted Stephens as a mobster.

"I listed people he has known and has associated with, but we have never put him on a chart listing him as an associate of organized crime," Johnson said.

Stephens' suit against Johnson comes as Emerald Casino's majority owners are trying to sell their stake to a company that would try to open a casino in Rosemont. Stephens has long sought a casino for the northwest suburb he has run since 1956, the year he incorporated the village.

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(Indicate page, name of
Newspaper, city and state)
Pg. 20 Sec. 1
Tribune
Chicago, IL

Date: 07/20/2001
Edition: Chicagoland Final

Title: Casino deal stench gets
worse

Character
or
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Casino deal stench gets worse

Gov. George Ryan has shrugged his shoulders over criticism that he dumped two members of the Illinois Gaming Board who voted against a proposal for a riverboat casino in Rosemont, a deal the governor supports. He's not going to get off that easily.

This is looking worse by the day. As Tribune reporters Douglas Holt and Ray Long revealed Thursday, the two replacements Ryan named to the gaming board have had business relationships with investors in the Rosemont casino.

"We're quite confident there are no conflicts of interest here," stated Ryan spokesman Dennis Culloton.

Wake up, governor. You are deeply overdrawn.

In January, the gaming board voted 4-1 to reject the bid by Emerald Casino Inc. to operate a gambling boat in Rosemont. The reasons were stark: A staff investigation of the investor group turned up deep-seated political connections and alleged ties to organized crime. The board's administrator also stated that key investors in Emerald Casino Inc. repeatedly had made false and misleading statements to the board in their pursuit of this potentially lucrative operation.

It was bad enough that Ryan used stealth-like tactics last month—late in the day on a Friday—to axe two respected gaming board members who happened to vote against the smelly Rosemont deal.

Ryan denied that he was purging the board of two roadblocks to the Rosemont casino. Instead of dispelling impressions to the contrary by appointing replacements who come with no

strings attached, though, he has created a full-scale mess.

One appointee, Robert A. Mariano, a former Dominick's Finer Foods executive, approved the hiring of Susan Leonis as a lobbyist for the supermarket chain in 1996. Leonis has invested in the proposed casino.

The other appointee, Chicago developer Elzie Higginbottom, has purchased building supplies from a politically connected, former city and state official whose wife has a financial stake in the casino deal.

Ryan will quibble and argue and desperately try to diminish the nature of the conflict of interest, but at this point, it doesn't matter. Given the governor's purge of two board members who opposed the project, even the most tenuous appearance of any possible conflict is unacceptable. Unfortunately, Ryan doesn't seem to get it.

His two new appointees will have to recuse themselves from future votes on the Rosemont deal.

The only clear way to resolve this is obvious. The investors who were targeted by the gaming board have to sell their interest in the project and the remaining investors have to find an established, professional, above-board casino operator to run it.

That alone should not guarantee approval, but at least it should present the gaming board with a more palatable decision.

Otherwise, this mess will be in court for a long, long time, and no one will be laying down bets in Rosemont.

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Stephens sues over mob claims

Rosemont mayor targets official of crime panel

By Douglas Holt
Tribune staff reporter

After filing a defamation suit against a top Chicago Crime Commission official, Rosemont Mayor Donald Stephens on Thursday portrayed himself as an ardent foe of organized crime who has been repeatedly maligned by critics who claimed he was cozy with mob figures.

"I am sick and tired of hearing about the mob and mob influence in Rosemont," Stephens complained in a meeting with the Tribune editorial board as he launched into a spirited defense of his 45-year public career. "There is no crime syndicate influence in Rosemont. It doesn't exist. I challenge anybody to actually prove there is some crime syndicate element in Rosemont."

On Wednesday, Stephens filed suit in Cook County Circuit Court against Wayne Johnson, chief investigator of the Chicago Crime Commission, for comments Johnson made during an Illinois Gam-

ing Board meeting in January. Johnson urged the board to reject a proposal to open a new riverboat casino in Rosemont based on what the investigator claimed were business relationships between Stephens and organized-crime figures.

The board voted 4-1 against the casino plan, citing as one reason for the rejection alleged links between some of the investors and the mob. Stephens is not part of the casino investment group, and several board members stressed after the vote that they did not base their decision on any information relating to the mayor or his municipality.

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The suit alleges that Johnson in his comments to the board "falsely stated and implied that Mayor Stephens was associated with illicit and criminal activity."

In the suit Stephens also lavished praise on himself. "Mayor Stephens enjoys a good reputation, both as a public servant and as a civic-minded member of his community," it

said. "As a testament to the admiration and respect that the citizens of Rosemont have for Mayor Stephens and his many and varied civic accomplishments, Mayor Stephens has served as the mayor of Rosemont since 1956 and is the only chief executive Rosemont has ever had."

Johnson could not be reached for comment. Commission President Thomas Kirkpatrick declined to comment.

But Stephens stressed that former business partners of his who Johnson claimed were mob-connected had never been convicted of a crime.

Most of the associations involving Stephens that Johnson mentioned were cited in the press or highlighted in an official notice issued to the Rosemont casino investment group by the Gaming Board staff after the January meeting.

Specifically, Johnson mentioned Stephens' past involvement in a forklift rental company with partners William Daddano Jr. and Nicholas Boscarino. Daddano is listed on the commission's mob organization chart. Boscarino, through a family trust he controls, is one of the casino investors who

Gaming Board investigators identified as having mob ties.

Stephens said recently that he thinks Daddano is being punished for misdeeds of his father, who was killed in a mob hit.

The mayor on Thursday also made it clear he likes Boscarino and has known him for 25 years. Stephens acknowledged that he introduced Boscarino's wife to a top official of the proposed Emerald casino, setting in motion the family's involvement in the casino project.

"If Nick Boscarino has done something wrong, I will repudiate him," Stephens said, making it clear he didn't think that was the case.

Stephens has also drawn criticism from the commission for taking campaign contributions from a mob-controlled construction firm that once also did work for the town. The mayor said Thursday he had given the contributions to charity.

Speaking to the Tribune, Stephens also acknowledged that decades ago he had purchased a motel in Rosemont from then crime boss Sam Giancana, who also financed the deal.

But Stephens said he bought out Giancana to get him out of town. And Stephens said he later shut down a liquor store in a building owned by Giancana's brother.

Emerald casino buyout hits wall

State regulators move to stop sale to MGM Mirage

By Douglas Holt
Tribune staff reporter

As Las Vegas-based MGM Mirage Inc. revealed it was aggressively pursuing a buyout of investors trying to open the stalled Emerald casino project in Rosemont, the Illinois Gaming Board moved quickly Thursday to squelch the sale.

"The current process involving Emerald's negotiations with MGM is not acceptable to the board," read a brief statement issued by the five-member panel.

The board's swift reaction to the news of MGM Mirage's interest provided a clear signal that gambling regulators are unlikely to give a go-ahead for the project anytime soon or rubber-stamp a deal that could allow Emerald investors to reap big profits even though the board refused to let them open a casino themselves.

Sources close to negotiations on the sale said the figures being discussed by MGM Mirage and Emerald officials could approach \$600 million. Earlier this week the board approved the sale of the Joliet Empress casino to a Downstate investor group for \$475 million.

Unlike the Empress, which has been operating for years, the Emerald is little more than a concept soundly rejected by the board in January on a 4-1 vote over concerns about the credibility of some investors and the

PAGE ONE

CASINO: MGM Mirage alerted SEC about talks

CONTINUED FROM PAGE 1

alleged organized-crime links of others. The board's decision is being appealed by the Emerald investment group, led by former Waste Management official Donald Flynn and his son Kevin.

Last month Gov. George Ryan replaced two Gaming Board members who voted against the Rosemont project, giving rise to speculation that the reconstituted board might reconsider that action or approve a buyout of the Flynn group to get a casino up and running quickly but under different ownership.

The board statement was issued in response to a document filed Wednesday by MGM Mirage with the Securities and Exchange Commission. In it the company, which owns or operates 18 gambling properties in the United States, Australia and South Africa, said it had entered into a 30-day exclusivity agreement under which Emerald owners agreed to negotiate only with MGM Mirage over a possible sale.

Emerald officials declined to comment on the Gaming Board's action.

Rosemont's reaction

Gary Mack, a spokesman for Rosemont Mayor Donald Stephens, who is a strong backer of the casino, expressed surprise at the latest twist in a long-running battle.

"I don't know how they can say it's not acceptable," Mack said. "As I understand it, this is a business transaction between two private entities. What does the Gaming Board have to do with that?"

Meanwhile, a source close to Park Place Entertainment Corp., another Nevada gambling company that had been considering a bid for the Emerald, said that company backed off because it sensed Emerald officials were hoping to freeze the Gaming Board out of the dealmaking process. On Monday, Park Place withdrew from an auction process set up by the Emerald to sell the rights to an Illinois gambling license it has held for years but which the board had moved to revoke.

"We did so because we didn't like the idea that the Gaming Board was not involved in the process," the source said. "We thought the Gaming Board would react just like they did."

Until Thursday, buyout talks between MGM Mirage and the Emerald group appeared to be gaining steam. During a conference call to financial analysts to discuss quarterly earnings, John Redmond, a top MGM Mirage official, revealed that the company was engaged in talks with Emerald officials who had flown to Las Vegas.

"We have a very keen interest in the Chicagoland market," Redmond said. He said the company was in "serious negotiations with principal shareholders in the Emerald facility representing 52.7 percent of the holdings."

Control over licenses

At the heart of the dispute over a potential Emerald sale is control over state casino licenses. Emerald lawyer Michael Ficaro has long maintained that despite two separate votes over the years by state regulators to revoke his group's gambling license, it is a private asset belonging to the Emerald.

The Emerald group has long held that license because, under a different name and with a different roster of shareholders, it operated the Silver Eagle riverboat near Galena. That boat ran into financial difficulties and was shut down.

But lobbyists for the Emerald succeeded in getting tailor-made language inserted in a 1999 gambling law passed by the General Assembly that granted the casino company permission to relocate—an ability no other Illinois casino enjoys.

After the board voted to block the Emerald's bid to open in Rosemont, the investor group filed a lawsuit contending that the action violated the terms of the special relocation clause in the gambling law.

Shortly after the law was signed by Ryan, the Emerald group started construction on the casino, even though it had not obtained permission from the board. Several months later the Emerald called a halt to construction after the board threatened to issue a cease-and-desist order. The group later said it sank \$70 million into the work before it was suspended.

'False and misleading'

In its January vote the board concluded that it would be unconstitutional to interpret the gambling law as forcing it to approve the casino, while ignoring organized-crime ties or false statements given to state investigators and have asserted control over the project.

In moving to revoke the Emerald's license, the board said the Flynn demonstrated a "continuous pattern ... of providing false and misleading information" to state investigators, including questions about agreements to sell shares in the casino. The board also said two shareholders of the group and a firm hired to work on the casino site had links to organized crime.

According to sources close to the board, the panel has offered to settle with the Emerald group. In one proposal the Emerald was offered some limited payment for its license, but the board would gain control over the license and could choose a new owner after considering competing bids.

Chicago Tribune

THURSDAY, JULY 19, 2001

Gaming official

2 Ryan appointees linked to investment

By Douglas Holt
and Ray Long

Tribune staff reporters

Gov. George Ryan's two new appointees to the Illinois Gaming Board have had business relationships with casino investors now pressing the board to reverse a decision blocking a new gambling barge in Rose-

mont, according to state records and interviews.

One of the new members, Robert A. Mariano, was president and chief executive officer of Dominick's Finer Foods when he personally approved the 1996 hiring of Susan Leonis as a company consultant and lobbyist, Leonis told the Tribune. Leonis, a former state official who de-

scribes herself a "quaintance" of one of dozens of connected investors in the proposed

The other app developer Elzie Tom, acknowledged East Lake Management Corp. what he said

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CHICAGO TRIBUNE

SECT

Thursday, July

NEWS DIGEST

SECTION 1

THE WORLD

Putin: Let Russia join NATO or scrap it

President Vladimir Putin said Russia should be allowed to join NATO or the alliance should be disbanded and replaced by a new body that includes all of Europe and Russia. **PAGE 1**

Egypt arrests 52 men in crackdown on gays

In a crackdown on homosexual activity that has been condemned by human-rights groups and others, Egypt charged 52 men. **PAGE 6**

THE NATION

Greenspan pessimistic about quick turnaround

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CASINO: 'No conflicts of interest,' top aide says

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tors only intensified suspicions.

"The appearance of this one just gets worse and worse," said Rev. Tom Grey, executive director of the National Coalition Against Gambling Expansion.

Mariano, 51, who could not be reached for comment, left Dominick's in 1998 when it was sold to the Safeway supermarket chain and now manages a food service consulting firm.

Higginbottom, like Degnan a confidant of Daley's, said his firm had done not more than "\$1,000 or \$2,000 a year" in business with Glenrock Co. of Northlake, a building supplier owned by Degnan. Higginbottom said neither his dealings with Degnan nor personal relationships with several African-American investors in the Emerald Casino would affect his decision-making on the board.

Leonis, 43, who was a special assistant to former Gov. Jim Edgar before leaving state government in 1995, said she lobbied the Illinois Department of Transportation on Dominick's behalf and worked on the supermarket's charitable foundation with Mariano. She has continued to do work for Dominick's since Mariano's departure.

"I can honestly say that since he has not been the chairman of Dominick's since 1998, he and I have not talked about business period," she said, adding that Mariano should not be disqualified from voting on Emerald matters because of his past professional relationship with her. "We've talked about his kids, his family, my family. And I can also honestly say I've never spoken to him about the casino."

Neither Degnan nor his wife could be reached for comment.

Leonis and Sandra Degnan hold small investment stakes in the Emerald, but if the casino is revived, even fractional shares are expected to be worth millions of dollars.

A few weeks before the two latest board appointments, Ryan dined privately at a Rosemont restaurant with Mayor Donald Stephens, a big casino booster who has complained bitterly about the Gaming Board's rejection of the Emerald bid. But Ryan spokesman Dennis Culloton said the casino was "not a topic of conversation to the best of my information."

Culloton rejected claims that Ryan was trying to steer the Gaming Board to reverse course on the Emerald, and he said both appointees were fully investigated by the governor's legal staff and state police to avoid possible conflicts.

"There are some out there that want to cast aspersions and trash their excellent reputations and create controversy. That is unfortunate and unfair," Culloton said. "We're quite confident there are no conflicts of interest here."

In January the board voted 4-1 to reject the Emerald's bid to open in Rosemont, contending that its top officials had lied to board investigators about the project and that some investors had ties to organized crime.

The Emerald investment group, led by former Waste Management Inc. official Donald Flynn, has appealed the action in a cumbersome hearing process that eventually will return to the board for final action. Working on a parallel track, Emerald officials are also trying to negotiate a compromise with the board, a deal that could involve sale of the Emerald's assets to another casino group.

Since what once seemed a fatal setback to the casino, Ryan has substantially altered the makeup of a regulatory panel that, after years of passive oversight of the gaming industry, had become increasingly aggressive in its efforts to police the integrity of casino owners.

In addition to Mariano and Higginbottom, the governor in April appointed lobbyist Ira Rogal to the panel. Rogal is a business partner with former Democratic House leader Gerald Shea, who has represented groups seeking Illinois casino licenses and who is an investor in a Springfield hotel with the owner of a Downstate casino.

Board members serve three-year terms, but when Edgar was governor, he commonly reappointed members whose terms were up. The two members whose terms ended in June—Downstate lawyers Staci Yandle and Mac Ryder—had expressed interest in staying on the unpaid board. Both had voted against the Emerald.

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Author goes to work on bio of Rosemont mayor

*Writer who profiled
Royko gets \$50,000*

BY CHRIS FUSCO
SUBURBAN REPORTER

The author of an acclaimed biography of Mike Royko has begun documenting the life of another colorful Chicago area personality—Rosemont Mayor Donald E. Stephens.

F. Richard Ciccone, author of *Royko: A Life in Print*, published early this summer, didn't return messages over the last several days, but state records show he has been paid \$50,000 from the mayor's campaign fund since January, and Rosemont village spokesman Gary Mack confirmed Tuesday that Ciccone is working on a book about Stephens and Rosemont.

"We had talked about somebody kind of documenting what the mayor has done in Rosemont and his biography," Mack said, adding

that Ciccone "has interviewed many, many people who are friends and acquaintances of the mayor."

Mack said Ciccone doesn't have a deal yet to publish the Stephens book, but added, "I think Ciccone will get a publisher. He's a great writer."



Richard Ciccone
"Great writer"

Stephens, 73, is the first and only mayor Rosemont has had since it was incorporated in 1956. He used its proximity to O'Hare Airport to transform it from a swampy suburban armpit into a hotel and convention mecca. Along the way, he amassed a campaign fund that provides hundreds of thousands of dollars to politicians he supports. Stephens is paying Ciccone out of that pot of campaign donations.

Though Stephens is powerful and popular, he has also been a controversial figure.

Twice, he faced federal indictments, accusing him of lying on his taxes and getting kickbacks from

secret ownership in a land deal. Twice, he was acquitted.

With Stephens' recent push to bring a casino to Rosemont, the Chicago Crime Commission revived stories about his having associated with members of the Chicago Outfit, including his purchase of a hotel from a nephew of reputed Chicago mob boss Sam Giancana nearly 40 years ago. Stephens responded by suing the chief investigator for the commission, Wayne Johnson, for defamation of character.

Today, union janitors in the Rosemont area plan to unveil a Web site offering a critical view of the mayor and detailing a federal lawsuit against Bomark Cleaning Services, whose president is Stephens' son, Mark.

Mack said he doesn't know when Ciccone, a former managing editor of the Chicago Tribune, plans to finish his book on Stephens.

"It was not the mayor's idea," Mack said. "There have been a lot of people that said 'Man, you've had such an incredible, remarkable life, you should do a book.' We put the idea in his head."

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Rosemont casino foe quits Gaming Board

By DAVE MCKINNEY
SUN-TIMES SPRINGFIELD BUREAU

SPRINGFIELD—One of the state's top gambling regulators tendered his resignation Monday and plans to return to the U.S. attorney's office in Chicago from where he came.

Gaming Board Administrator Sergio Acosta will remain with the regulatory agency until Sept. 14, the date of the next Gaming Board meeting, agency spokesman Gene O'Shea said.

The departure of Acosta, who drew a salary of more than \$140,000 and was among the highest-paid state employees, represents yet more turnover at the Gaming Board. In late June, Gov. Ryan dumped two appointed board members originally opposed to allowing the Emerald Casino in Rosemont, prompting criticism that the governor was angling to stack the board. Ryan denied the charge.

Why Acosta left the board after two years as administrator was not

immediately clear Monday, though it is known he had been exploring other job possibilities for some time.

Acosta did not return messages left at his office or home.

Before being appointed to the Gaming Board in 1999, Acosta was an assistant U.S. attorney and played a minor role in the Operation Safe Road investigation that has dogged the Ryan administration.

Acosta was recommended as administrator by top Ryan adviser Jeremy Margolis, who later represented dozens of suburbs before the Gaming Board that stood to profit if the Emerald opened in Rosemont.

Acosta later emerged as an independent voice credited with helping steer the board away from approving the politically connected Emerald amid concerns some of its investors may have had ties to organized crime.

"I think Sergio is a professional and wasn't about to have any appearance that he'd be influenced politically," anti-gambling activist Tom Grey said.

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Pg. 20

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REGION & STATE

Gaming Board member quits

Levine had voted against proposed Rosemont casino

By Michael Higgins
Tribune staff reporter

More turnover has come to the Illinois Gaming Board with the resignation of Stuart Levine, a retired businessman who had opposed plans for a casino in Rosemont.

Levine is the second member of the five-person board to resign this year. Two other members were dropped from the board after Gov. George Ryan chose not to reappoint them. Three of those four opposed the Rosemont proposal.

Levine, who stepped down Friday, could not be reached for comment Monday. But a board spokesman said Levine decided he had become too busy for the

job, stretched thin by his participation on a number of university and charity boards.

In a resignation letter to Ryan, Levine said he felt the governor "would be better served by being free to enlist the services of someone who does not have a responsibility of adhering to the demands of regular monthly meetings of another agency," board spokesman Gene O'Shea said.

Levine is on the Illinois Health Facilities Planning Board, as well as the boards of Roosevelt University, the Lincoln Park Zoological Society and Finch University Health Sciences/Chicago Medical School.

Only Chairman Gregory Jones remains from the board that, in January, voted to revoke the gambling license of Emerald Casino Inc., which hopes to build a casino in Rosemont.

In a 4-1 vote, the board concluded that two Emerald inves-

tors had ties to organized crime and that top Emerald officials had misled board investigators. In addition, the board last year blocked casino magnate Jack Binion from doing business in Illinois.

The two decisions were seen as evidence of a new get-tough attitude for Illinois' gaming regulators, who had been seen by many as too cozy with the industry they monitored.

Emerald Casino has appealed the board's decision to an administrative law judge. It also filed a lawsuit in Cook County Circuit Court, challenging the ruling.

In other business, the board on Friday appointed its top financial officer, Thomas Swoik, to act as interim administrator while it waits for Ryan to recommend a candidate to fill the spot.

He replaces Sergio Acosta, who recommended revoking Emerald's license. Acosta resigned in August to return to his

work as a federal prosecutor.

Swoik, the board's deputy administrator for finance and administration, said Monday that he had expressed interest in keeping the post.

Ryan has set no timetable for replacing Levine or recommending a permanent administrator, spokesman Ray Serati said Monday.

Swoik joined the Gaming Board in 1994. Before that, he was a deputy director of the Illinois Department of Children and Family Services.

As deputy administrator, Swoik has been in charge of the Gaming Board's budget, financial reports and personnel matters.

Swoik said the administrator's role is to provide the board with information and not to "lead them one way or another." He stood by the work of board investigators, saying, "I'm very comfortable with what they've done and their reports."

Rosemont casino suit revived

By Douglas Holt
Tribune staff reporter

In another blow to the proposed Emerald Casino in Rosemont, a federal appeals court revived a lawsuit Friday in which California billionaire Marvin Davis says he was cheated out of a secret deal to become part owner of the gambling boat.

The Davis suit, dismissed by a lower court judge last year, raises questions about who is entitled to own more than half of the shares of the investor group trying to win state permission to open the casino.

Obtaining a state license—or selling potential rights to it to another firm, as the Emerald recently tried to do—could prove even more difficult if the investor group is under a legal cloud.

Lawyers for the Emerald could not be reached for comment on Friday's decision.

In his lawsuit, Davis says Emerald officials in 1998 had promised him a 37.5 percent stake in the casino shortly before he joined a campaign to lobby the Illinois legislature to pass a law that would virtually guarantee the Emerald could open a Rosemont casino. Davis also said Emerald officials offered another 20 percent stake to influential Arlington Park Chairman Richard Duchossois.

Duchossois has acknowledged the deal in court documents.

U.S. District Judge Ronald A. Guzman threw out Davis' suit last year, ruling that it belonged in state court.

Even so, the Illinois Gaming Board drew substantially from allegations leveled in the Davis lawsuit when it voted 4 to 1 in January to reject the Emerald's bid for a casino license.

SEPTEMBER 29, 2001

SATURDAY

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SECTION 1

CHICAGO TRIBUNE

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REGION & STATE

Rosemont casino deal bad for state, lawmaker says

By Douglas Holt
Tribune staff reporter

Struggling to overcome objections by regulators, backers of the stalled Rosemont casino project may face another problem: complaints from an influential pro-gambling legislator that the casino could be the most profitable in the Chicago area but generate the least revenue for the state treasury.

State Sen. Robert Molaro (D-Chicago) says he will ask lawmakers in the General Assembly's fall veto session to rewrite special provisions of a 1999 state gambling law that earmarked less than 15 percent of Rosemont casino revenue for the treasury, ostensibly to pay for education programs. The share of revenue that goes to the state from Illinois's nine existing casinos is roughly double that.

Under a compromise reached to pass the 1999 law, the Rosemont casino would be taxed by the state at the same rate as other gambling boats. But, more than half of the Rosemont tax money would be diverted to the horse racing industry as a subsidy to compensate it for lost revenue caused by competition from casinos.

Molaro, a member of a Senate

committee that oversees gambling issues, said he has talked to several Republicans and Democrats in the legislature about the 1999 law and few were aware they had rendered Rosemont far less lucrative for the state than other casinos.

If Rosemont eventually gets the green light, regulators expect it to reap annual revenue of \$400 million, more than any of its competitors. State fiscal experts estimate that would translate into about \$111 million annually for the state if the horse money weren't subtracted.

As the law stands now, however, the racing industry would get \$60 million of that money, reducing the take for the state to \$43 million. Another \$8 million would go to Cook County.

Molaro said he still backs the subsidy but thinks it shouldn't come out of the state's share of the pot. He wants the formula changed so the state will keep its full share of Rosemont revenue and the subsidy will be deducted from the owners' take, rendering the casino less profitable.

"The question is, does the 15 percent come from the owners who are going to have the best license in history or should the 15 percent come from the state? I

think the public overwhelmingly would say it should come from the owners," Molaro said.

The casino's owners can afford it, he said.

"Let me tell you this, if you own 1 percent of the Rosemont casino, your great-grandchildren won't have to work," Molaro said.

Kevin Flynn, chief executive officer of the Emerald Casino group that is seeking the license, could not be reached for comment.

The Illinois Gaming Board in January rejected the Emerald's license bid, contending the top officials of the ownership group provided false information to regulators, contracted with a mob-related vendor and sold shares to two investors with alleged ties to organized crime.

The Emerald is currently locked in legal, administrative and political battles to overturn that decision.

Gary Mack, spokesman for Rosemont Mayor Donald Stephens, said he did not know whether the powerful mayor who brokered the casino deal would support making the casino's owners responsible for the horse racing subsidy rather than the state.

Rosemont casino supporters

have long said that every year the project is delayed, the state loses more than \$100 million in revenue. Stephens has complained that "taxpayers and schoolchildren [are] paying the price" for the state's failure to approve the project.

The \$100 million figure, Mack said, was derived by looking at the performance of the state's top-grossing casino, the Grand Victoria in Elgin, which contributed \$106.8 million to state coffers last year.

That calculation, however, does not appear to take into account the racing subsidy that would reduce state's revenue from Rosemont.

The Rosemont wrinkle aside, the 1999 law has reaped some economic benefit for the state while turning even greater financial rewards for the existing nine casinos and providing a big financial boost for the racing industry, a Tribune analysis of the gambling law's economic impact shows.

Thanks to the law, the horse racing industry has received more than \$41 million annually in tax reductions or direct subsidies, not including the projected additional \$60 million that would come from a 10th casino.

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Riverboats spur Joliet's economy

■ Westward sprawl: Turning around city's image

To look at where Joliet is now compared to 50 years ago, a newcomer would think the city is reaping the benefits of a town in the path of westward sprawl that has seen other towns like Naperville and Bolingbrook grow.

But long-time residents know the City of Champions, like many towns throughout the nation, suffered through tough economic times in the 1970s and 1980s. Times when double-digit inflation stopped residential and commercial growth and contributed to the city's dogged image as a gritty town.

When the chips were down, a group of local guys and city officials rolled the dice on a new venture aimed at resuscitating dying towns. The payoff, beyond just about anyone's imagination, not only helped stop the decline, but put Joliet in good enough shape to handle the growth coming from the north and east. Growth that continues to feed on itself and pave the way for a bright future.

Say what you want about riverboat gambling, and many do, but Joliet Mayor Art Schultz said you have the boats to thank for saving the Rialto Theater, for putting world-class police and firefighters and equipment on the streets, and for rebuilding a city with millions of dollars a year taken from a river once used as a raw sewage drain for the Chicago area.

The city is thankful for its two riverboat casinos. Harrah's is doing its part to revitalize downtown Joliet with its pavilion, hotel and the construction a permanent dock on the Des Plaines River.

The city is especially proud of Empress Casinos, because most of the seven guys who broke new ground by taking a chance on the new riverboat legislation were local. And they were the first in the Chicago area to pull it off. They had no idea when the seven broke ground in November 1991 on a few hundred acres formerly owned by Caterpillar Inc. between Route 6

Joliet

- **Population:** 93,727
- **Size:** 41 square miles
- **Date of incorporation:** 1857
- **Highway Access:** Interstates 55 and 80; Illinois 53, 59
- **Type of government:** council-manager
- **Key resources:** industry
- **Transportation:** Served by the Metra Heritage Corridor line out of Union Station, 50 E. Jefferson St. in Joliet.
- **Public schools:** Joliet Grade District, Laraway School District, Union School District, Troy School District, Plainfield School District, Joliet Township High Schools.
- **Private Schools:** Franciscan Early Learning Center, St. John the Baptist, St. Joseph, St. Jude, St. Mary Assumption, St. Mary Magdalene, St. Mary Nativity, St. Patrick, St. Paul the Apostle, St. Raymond, St. Thaddeus, Joliet Catholic Academy.
- **Colleges/Universities:** Joliet Junior College, University of St. Francis.
- **Shopping:** Louis Joliet Mall.
- **Library:** Joliet Public Library, 150 N. Ottawa St., and branch library at Louis Joliet Mall.
- **Web site:** www.ci-joliet.il.us

■ **Special Features:** Joliet is an entertainment mecca. It is home to the best auto racing in the state with the Route 66 Raceway and the Chicagoland Speedway. The historic Rialto Square Theatre attracts national acts and personalities to its stage. Bicentennial Park, located downtown, is the site of numerous festivals celebrating the city's diverse ethnic population. Two casinos, the Empress and Harrah's, provide fun for gambling enthusiasts.

and the river, they had no idea whether the \$36 million in hard-earned bucks and much-desired loans they scraped together would pay off.

The group, led by boyhood pals

Tom Lambrecht and Pete Ferro Jr., were in the construction business. Their families helped build Joliet. Now the two would help rebuild it.

There was some haggling with city officials over the location. The group wanted a nice wide open spot where they could have a lot of parking. City officials wanted it downtown to complement a City Center redevelopment plan approved in 1990. Lambrecht said one city official even went so far as to call the project on Route 6 site "a hot dog stand in a cornfield."

But the local group convinced the city the Route 6 site was best for them. Someone else could use the remaining Joliet license for downtown.

Schultz said the next step was to get the casino land annexed to Joliet. He knew the venture would mean jobs and money for a city just starting to get back on its feet after some 20 years of decline. City had nothing to lose. City officials were guarded however. In the first meetings for the 1992 budget, they wanted to be conservative. They estimated they would get a \$2 million cut of the profits the first year of operation.

Instead of bringing in \$2 million for the city in the first year, the Empress brought in \$20 million. In Christmas 1992, six months after opening, Empress already had its one millionth guest. Debts the group incurred to get the boat floating that were supposed to take seven years to pay off were retired in half a year, Lambrecht said. Tax revenue spurred growth. A year later, Harrah's opened downtown, and between the two, funded much of the city's redevelopment in the 1990s.

Suddenly, new roads came in, old roads were paved and given curbs and gutters, neighborhoods were given proper drainage. Not only were sidewalks paved, but alleys as well. New fire stations popped up; a new police station and renovated City Hall. More police. More firefighters. In a few years, residents would see lower water bills, elimination of city vehicle stickers and lower city property taxes, Schultz said, all from riverboats.

Growth that would have come

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eventually, came even faster now that the city was spiffing up, said Jim Haller, Joliet's director of community development. Single-family building permits, gradually rising since the early 1990s, shot up to an average of more than 1,000 a year toward the end of the decade.

With the rooftops, came more businesses, more than 300 new ones since 1985. Unemployment that had spiked at more than 20

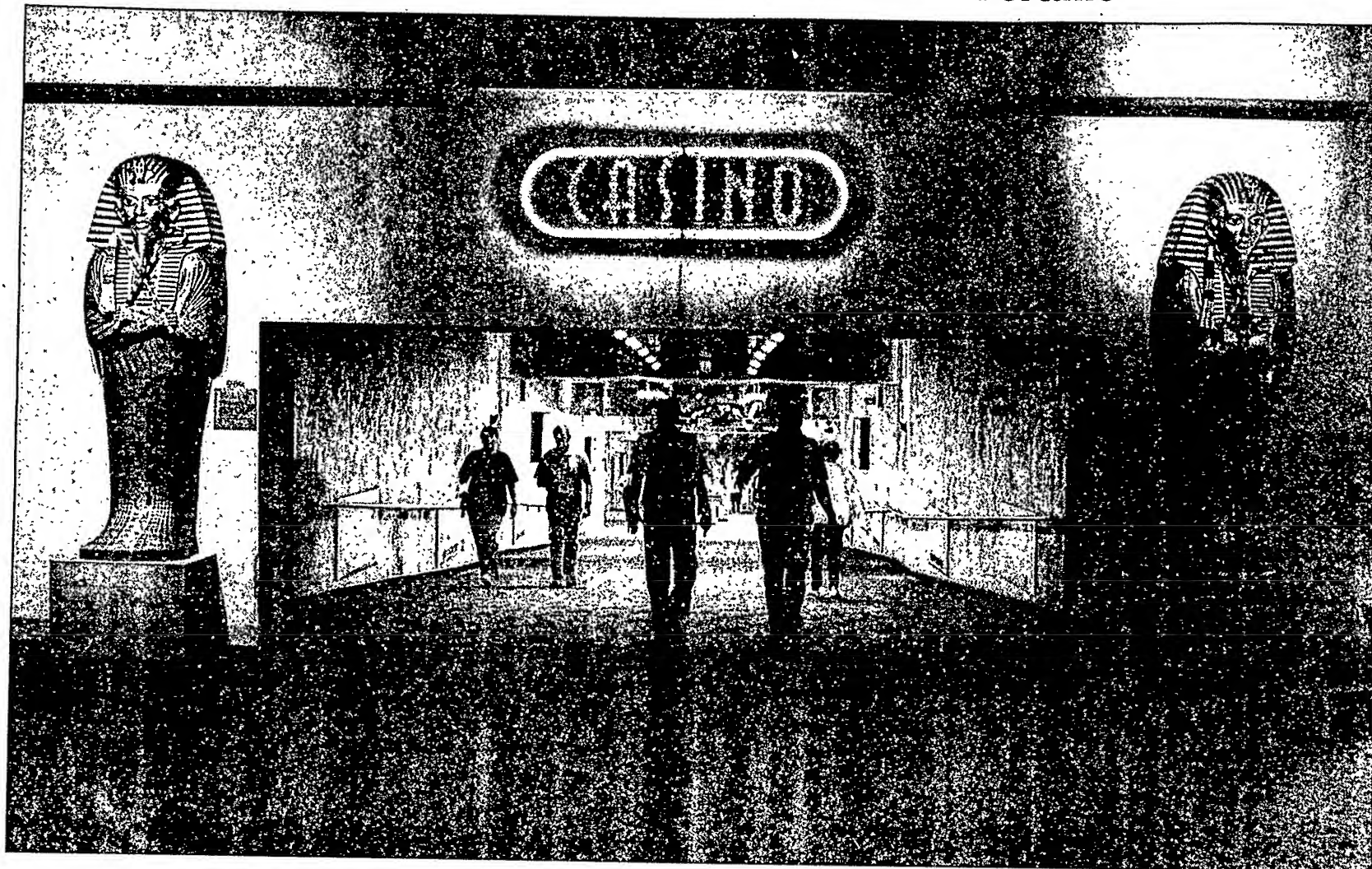
percent by the mid-1980s melted away under toward 7 percent, the lowest in decades.

Supermarkets, shopping plazas, all to serve more people flooding in to the city. Four thousand new jobs split between the two casinos further pumped life into a stagnant local economy, and the new Route 66 auto raceway have added to the city's new reputation as a regional entertainment destination.

Now, Joliet not only isn't dying, it is at the center of one of the fastest growing counties in the nation. The city is moving westward into Kendall County.

Many facets of the community have benefitted indirectly from the boats, Schultz said, but the city also has directly put some money into schools throughout the city, the Rialto Theater and the library — all without raising taxes.

CASINO FOCUS: Reversal of Fortune



Patrons of the Empress casino walk to and from the riverboat. The Illinois Gaming Board's rejection of a Rosemont casino plan will mean less competition in the near future for the Empress and other casinos.

FILE PHOTO

Rosemont rejection beat long odds

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■ Casino license: Gaming board's stand surprises many

By Sean Noble
COPLEY NEWS SERVICE

CHICAGO — The dice seemed loaded in favor of a casino for Rosemont.

Emerald Casino Inc.'s monied, big-name investors wanted one. So did Rosemont Mayor Donald Stephens, whose political connections and campaign contributions wield statewide influence.

Gov. George Ryan and Illinois legislators certainly appeared to back the plan in summer 1999, when they approved a controversial law that opened Cook County to riverboat gambling and called for Emerald Casino, whose East Dubuque riverboat had failed, to transfer its gaming license to Cook County.

Critics of the arrangement saw Illinois Gaming Board approval as a wink-and-a-nod formality — and those critics were stunned when board members sternly turned Emerald away last week.

"They kind of rose to their potential to do the right thing," said Cynthia Canary, director of the Illinois Campaign for Political Reform, who declared herself "astounded" by Tuesday's decision. "I talked to a colleague (who said) it was the first time in his professional career he'd seen good government in action."

The credit goes to tough new board leadership and the panel's appreciation for the growing public scrutiny of its work, she said.

Wayne Johnson, chief investigator for the Chicago Crime Commission, praised the board's newfound willingness to examine allegations of organized crime influence in the gaming industry; one of the factors that sank Emerald's riverboat hopes.

"We revel in the victory. But it may be short-lived," Johnson said,

noting Emerald could appeal the decision — and that Rosemont very well could bring another casino plan to the board someday, with or without Emerald.

Politics not involved

Illinois' original, 1990 riverboat law established 10 gaming licenses. It also set up a five-member board to regulate riverboat owners and operators. One of the panel's jobs is to assess the "character, reputation, experience and financial integrity" of license applicants and their associates.

The fact that board members are appointed by the governor and confirmed by the state Senate has made some government watchdogs automatically suspicious of the panel's intentions. After all, candidates for the Legislature and statewide offices in 1993-99 accepted \$2.37 million in contributions from casino interests, political scientist Kent Redfield of Springfield writes in his new book on campaign finance, *Money Counts*.

Board members, though, insist their work isn't colored by politics. Casino representatives such as Susan Gouinlock echo that.

"The industry has really always been tightly regulated in Illinois," said Gouinlock, director of the Illinois Casino Gaming Association. The board has rejected license applicants before Emerald, she said, and hasn't hesitated to fight riverboats on such matters as shortening the hours they can serve liquor.

Even the Rev. Tom Grey, outspoken leader of the National Coalition Against Legalized Gambling, agrees the board did a good job of regulating a big-money industry for several years.

"It was when the (1999) bill passed and (Robert) Vickrey became chairman that the shenanigans and the dealing came in," Grey said.

Too friendly to casinos?

Vickrey had served on the board about seven years by the time Ryan

elevated him to its chairmanship in the summer of 1999. That was about the time the General Assembly OK'd the law that dealt with Emerald's East Dubuque license.

Stephens joined Emerald in heavy lobbying for the law, as did other gambling interests. Among other things, the law promised a cut of the transferred gaming license's casino profits to the horse racing industry, and it allowed riverboats to remain docked during gambling sessions.

Grey blasted the new law and called Vickrey too friendly to casinos. He said his fears seemed confirmed by November 1999, when the board approved Las Vegas gaming king Jack Binion's \$600 million-plus purchase of Joliet's Empress casino.

Weeks later, it was revealed the panel had ignored a report by the board's own staff, warning that Binion had left a "trail of poor business practices, regulatory violations and financial malpractice."

Vickrey resigned in January 2000. He could not be reached for comment this week.

New board

The governor then moved freshman board member Gregory C. Jones, a Chicago attorney with a federal law enforcement background, into the chairman's seat.

Then, in February 2000, Ryan named Sterling "Mac" Ryder to the board. Ryder's resume included legal work with several other state agencies, and he once directed the Illinois Department of Children and Family Services.

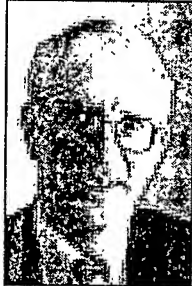
Last summer, the reconstituted board reversed course on the Empress and denied renewal of Binion's license. Binion first appealed the decision, then quietly accepted a deal with the board — approved last week requiring him to sell his majority share in the Empress.

❖ Turn to **ODDS, A9**

P. 3



Lamendella



Jones



Yandle



Ryder



Levine

Gov. Ryan appointed all members

By Sean Noble

COPLEY NEWS SERVICE

CHICAGO — The recent resignation of an Illinois Gaming Board member will allow Gov. George Ryan to shape the panel with a new appointment, but the body already bears his stamp.

Ryan has named every one of its four current members, and none has served even a full two years yet.

Joseph Lamendella was the board's second longest-serving member when he tendered his resignation this week. Ryan tapped the Chicago attorney and accountant to fill an unexpired board term in June 1999; when his term ended several months ago, the governor failed to re-appoint Lamendella.

Lamendella said his "passion and zeal" for his gaming duties were gone, and he refused to discuss his decision further. Ryan spokeswoman Wanda Taylor declined to talk about why Ryan had not reappointed Lamendella. She said the governor will take some time to find another good candidate for the board.

Eyebrows rose last autumn when it was revealed Ryan friend and occasional aide Jeremy Margolis helped recruit Chairman Gregory Jones and Administrator Sergio Acosta for their board work. At the time, Margolis also had been doing legal work for a municipal group that was fighting to have the board consider a gaming license for Rosemont.

Board members serve three-year terms. Currently, the panel's members are:

■ Gregory Jones, a Chicago attorney. He worked 17 years for the U.S. Department of Justice, rising to first assistant U.S. attorney for the Northern Illinois District in

❖ Turn to RYAN, A9

RYAN

From page A3

1977-85. Jones was appointed to the gaming board in July 1999 and named chairman in January 2000.

■ Stuart Levine, who is retired from active business. He has served on numerous boards, including those of the Illinois Health Facilities Planning Board and Finch University Health Science/Chicago Medical School. Levine joined the gaming board in April 1999.

■ Staci Yandle, an East St. Louis attorney. Yandle has been an adjunct professor at the St. Louis University School of Law since 1991 and has served on an Illinois advisory committee to the U.S. Civil Rights Commission. Yandle was named to the gaming board in October 1999.

■ Sterling "Mac" Ryder of Springfield. Now retired, Ryder worked for many years as an attorney for state agencies ranging from the Illinois State Board of Education to the Department of Public Aid and directed the state's Department of Children and Family Services. He also once worked as legal counsel to the gaming board, which he joined as a member in February 2000.

■ Like Jones, Lamendella once worked as a federal prosecutor in Chicago. He has served on the Illinois Racing Board and the Illinois Bureau of Race Track Policy and, in 1997-98, served as a director of a resort and casino company with properties in Puerto Rico.

Elgin casino fined record \$7.2 million

By Douglas Holt
Tribune staff reporter

The Illinois Gaming Board Tuesday fined the Grand Victoria Casino in Elgin \$7.2 million for allegedly giving a contract to install an air filtration system to a mob-linked firm that turned the actual work over to a subcontractor but kept most of the money itself.

It was the largest penalty ever levied by the regulatory panel, far exceeding a previous record of \$830,000.

The board also voted to penalize three top casino officials, including the general manager, Pete Dominguez, who is to be suspended for six months and personally fined \$10,000, and the casino's security director, whose license is to be revoked because he refused to cooperate with an in-

vestigation.

Dominguez could not be reached.

The allegations stemmed in part from contracts the casino had entered into with Pure Air Werks, Cigar Werks, Northwest Vending Co. and Zenith Tobacco / Corp.—companies whose owners include Joseph and Jamie L. Bastone, whose father is Carmine Bastone, Gaming Board lawyer/Jeanette Tamayo said.

Carmine Bastone also goes by the name Carmen, Gaming Board spokesman Gene O'Shea said. According to law enforcement and Gaming Board authorities, Carmen Bastone, 70, is a mob ringleader whose organization has run illegal gambling machines in the northwest suburbs.

PLEASE SEE FINE, PAGE 2

FINE: Violations are called 'serious'

CONTINUED FROM PAGE 1

Tamayo said the contracts represented "serious violations" of rules that require casinos to ensure they avoid associating with unsavory characters.

"Carmine Bastone, Joey Bastone and Jamie Bastone have each been identified as known members and or associates of organized crime," Tamayo told the board.

None of the Bastones could be reached.

Though the board cited Carmine Bastone's alleged mob links as one of its reasons for levying the fine, Tamayo offered no indication that he was connected to the casino contracts.

After board member Robert Mariano read a two-paragraph motion laying out the allegations in broad outline and the proposed penalties, the board approved the measure 4-0 with no public discussion. In about two weeks, the board will issue a letter spelling out the allegations in more detail. The casino will then seek to overturn or lower the penalties, Grand Victoria lawyer Donna More said.

"I'm shocked, because the Grand Victoria is a leader in the industry from a regulatory, business and charitable standpoint," More said.

In its complaint, the Gaming Board accused the Grand Victoria and the three officials of ignoring their responsibility to keep mob influence away from the operation and for other se-



Grand Victoria general manager Pete Dominguez was fined and suspended by the state.

curity lapses.

In addition to Dominguez, the complaint named Scott Enslin, director of marine operations, and Edward Cisowski, director of security, whose license was proposed to be revoked after he refused to provide information on how logs that would show who had been given access to the casino's secure areas were destroyed, Tamayo said.

The contracts Gaming Board officials examined included a \$292,000 work order signed in September 2000 with a company that had been formed only three months earlier: Pure Air Werks, headed by Joseph Bastone, Tamayo said.

The company subcontracted with an unidentified company, which in turn hired Sparks Technology of Batavia to install an air filtration system. Tamayo said Sparks Technology was paid more than \$130,000 for the work.

She stressed that Sparks Technology had done nothing wrong and had no mob ties.

Casino fined \$7.2 million says it rejected state deal

By Douglas Holt
Tribune staff reporter

Only weeks before getting hit with a record \$7.2 million fine for doing business with mob-connected firms and other troubles, the Grand Victoria Casino in Elgin could have resolved its case with state regulators by paying a \$90,000 fine, provided the casino admitted its guilt, casino officials said Thursday.

"We respectfully declined because we believed that we were not guilty of any wrongdoing warranting a \$90,000 fine," casino spokeswoman Marilou Pilman said in a news release. "To see this go from a \$90,000 request to a \$7.2 million proposed fine seems excessive and arbitrary."

The Illinois Gaming Board "strongly disagrees with the assertions" put forward by the casino, board spokesman Gene O'Shea said. He declined to say whether the board made any

settlement offer before the fine.

"Within the next few weeks the Gaming Board will issue a disciplinary complaint against the Grand Victoria," he said. "As this is a pending legal matter, the Gaming Board will is-

'We believe we will be vindicated.'

—Glenn Schaeffer,
president of Mandalay Resort Group

sue no further comment."

Casino officials declined to make any statements beyond the release.

The Gaming Board unanimously voted to issue the largest fine ever against an Illinois casino on Tuesday, accusing the state's highest grossing casino of hiring a contractor and vendors owned by Joey Bastone or his brother, Jamie.

The Bastones and their fa-

ther, Carmen Bastone, have been identified as members and/or associates of organized crime, Gaming Board lawyer Jeannette Tamayo said. The board has not alleged that Carmen Bastone had anything to do with the contract that resulted in the casino's fine.

Additionally, the board alleged that the casino destroyed required logs for most of last year that would have shown who was allowed into secured casino areas that are off-limits to the public. It also alleged the casino's security manager refused to cooperate with the board's investigation. Three high-ranking casino managers are to be suspended.

The casino vowed to seek to overturn the penalties before an administrative law judge.

Glenn Schaeffer, president of Mandalay Resort Group, managing partner of the casino, said the casino would prevail. "We believe we will be vindicated," he said.

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1 casino shareholder thrown for loss

Connie Payton inherited her piece of the failed Rosemont project; she'd like answers

For a decade, owning a riverboat casino in Illinois has been considered a license to print money, a surefire investment for those insiders lucky enough to be chosen for this state-controlled monopoly.

That certainly looked like the case in the summer of 1999 as prospective investors started lining up to take part in what everybody expected would be the mother of all riverboats—the Emerald Casino in Rosemont.

When the investor list was finally released that fall, those of us in the news media gleefully outed everyone by name, as convinced as they were that they soon would be rich, or at least considerably richer.

But on Tuesday evening, shareholders of Emerald Casino Inc. gathered for their annual meeting at the Chicago Club, many of them wondering whether they ever will recoup their investment, let alone make the killing they expected.

Just hours before, the Illinois Gaming Board officially notified Emerald of the grounds on which it is seeking to revoke the company's license and for rejecting the proposed move to Rosemont.

Over coffee and soft drinks, the management of the casino company served up the bad news, sugarcoating it as much as possible with assurances that they will appeal the decision and that they believe they have a strong case.

But the lucky insiders don't look so lucky anymore, and they know it. So they peppered Emerald's ownership team with pointed questions about what has happened to their money and what will be done to protect them.

Former Bears player Shaun Gayle, who has a piece of the boat, spoke up. So did Tim Degan, the former Mayor Daley aide whose wife is an investor. (Hey, I'm sure he was just looking out for his wife.) Albert W. Johnson, the car dealer who leads a minority investor group, voiced his concerns. The Emerald investor group is a little different from some because 20 percent of the shares were set aside for minorities and women.

Though the answers were soothing, the words spoken also were vague enough that the savvier investors understood they could lose their money if the Rosemont casino is never built—an increasingly likely possibility.



**Mark
BROWN**

The Emerald group had spent \$25 million on construction work before the project was halted, the Gaming Board said Tuesday. There also have been legal fees. Nobody is saying how much of the investors' original outlay is left.

I know what you're thinking. Boo hoo. Tee-hee. Serves them right.

I don't disagree. It's nice to see that the most greased deal in recent Illinois history was a greater gamble than anyone expected.

But there's one Emerald investor for whom I'll bet you'll have a pang of sympathy.

She didn't pull any strings to get her half-share, which by my calculations is a \$750,000 investment.

She never thought a thing about it before her husband died.

She sat there dumbstruck at the Gaming Board meeting five weeks ago when Emerald's application was initially rejected and a Chicago Crime Commission speaker started talking about alleged mob connections in Rosemont.

"It was like sitting through a movie," said Connie Payton, widow of the Bears' Hall of

Fame running back, who inherited her part in this drama. "It didn't make me feel good. That's for sure."

She also sat there with the rest of them Tuesday evening, as much in the dark as anybody about how this is going to turn out.

"That's the question: Where is everybody's money?" Payton said Wednesday, an outsider in this world of insiders. "We were trying to get answers to those questions, but they were not answered."

Payton is an optimistic person. Anybody who has seen the grace and poise with which she has handled her husband's death knows that she is not going to come unglued over a business glitch, even a costly one.

But her voice betrays some concern. "I don't want to lose any money, to be honest with you," she said, adding, "No one has told me I really need to worry about anything yet."

I'd say there's reason for her to worry. There's a possibility, I'm sure, that Emerald's principal owners, the Flynn family, will prevail and overturn the Gaming Board.

And there's a chance a publicly traded investment firm will come to the rescue and buy out the Flynn's and build the Rosemont casino, either buying out the smaller investors, too, or bringing them along for the ride.

But I'm not sure the Gaming Board is ever going to allow a boat to be located in Donald Stephens' Rosemont fiefdom, despite a belief from the Emerald camp that board members are open to negotiation.

As this goes forward, one of the questions will be: What, if anything, should the state do to protect the minority investors? I don't have the answer.

"I'm just hopeful that it will turn out for the best," Payton said.

For her sake, I hope she's right. For most of the rest of them, I'm not so sure.

E-mail: markbrown@suntimes.com

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State investigators take second look at Argosy bid to buy Empress

By Mike Nolan
and Jonathan Lipman
SPECIAL TO THE STAR

Besides a probable name change, Joliet city and tourism officials said earlier this week they don't expect much fallout from the pending sale of Empress Casino.

Argosy Gaming Co., which operates a riverboat casino in downstate Alton, announced earlier this week it will ante up \$465 million to buy the Empress Casino and Hotel in Joliet. Horseshoe Gaming owner Jack Binion was forced to sell the casino after the Illinois Gaming Board denied him an operator's license.

Later in the week, however, it was learned Argosy is being scrutinized by investigators from five states.

Those investigators are looking into charges similar to the ones against Horseshoe, rejected by the Illinois Gaming Board as unsuitable for ownership of a casino, Indiana gaming investigators said.

Argosy, a casino giant with operations in Illinois, Indiana, Missouri and Louisiana, is under investigation in all those states for a December deal with private investment group Nii-Jii Entertainment, according to regulators in Missouri and Indiana.

Investigators are looking into allegations about Nii-Jii investors' possible connections to organized crime and into a \$46 million consulting deal with a group of Wisconsin statehouse insiders, said Major Mark Mason, head of the Indiana state police's gaming investigations unit.

Nii-Jii is working with the Menominee Indian tribe of Wisconsin to get a casino in Kenosha, Wis.

"What we're looking at is some of the contracts that Argosy had entered into with Nii-Jii," Mason said.

Gaming board and commission spokespersons in Illinois, Wisconsin,

and Missouri confirmed that they were looking into the deal, but said they could not comment on details.

"It's an investigation we would do into any business deal one of our casinos would undertake, including the one in Joliet," said Kevin Mulally, executive director of the Missouri Gaming Commission.

"Those are all issues that we would look at."

In a Dec. 21 news release, Argosy announced that it had reached an agreement with Nii-Jii to serve "as the developer and operator of a proposed casino in Kenosha."

Argosy would provide \$35 million in debt assistance if the state approves the casino.

Nii-Jii is managed by former Illinois congressman Morgan Murphy Jr., according to Wisconsin state documents. Murphy represented portions of the Southland in Congress in the 1970s and early '80s.

Earlier this week, Joliet Councilman Joe Shetina, District 1, said he anticipated a smooth transition of ownership. He said there were no problems when Empress' original owners sold the casino to Horseshoe.

"I don't see any reason it shouldn't be just as good as it was" when Horseshoe bought the Empress, he said.

Ross Ament, president of the Heritage Corridor Convention & Visitors Bureau, said the ownership change "won't change anything from our perspective."

He said the bureau had worked closely with Horseshoe and that "we welcome the new owners."

"We are pleased that it (Argosy) is a big operation and one that is very familiar with Illinois," Ament said.

The deal is the largest to date for Alton-based Argosy and marks the company's first foray into the Chicago area, the nation's third-largest gambling market.

Representatives from Argosy, which operates five riverboat casino

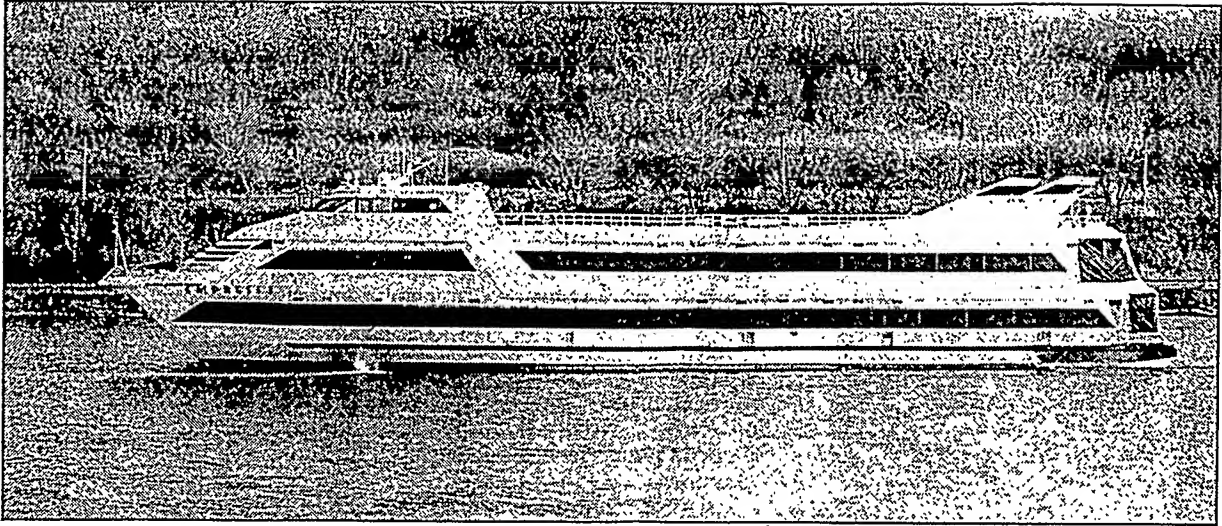
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Star file photo

Argosy Gaming Co. announced Monday its intention to buy Empress Casino for \$465 million. The deal could be closed as early as September.

nos, said they expect to seal the Empress deal by the end of September.

In addition to the Alton Belle, Argosy has riverboat casinos in the Kansas City, Mo.; Cincinnati; Sioux City, Iowa; and Baton Rouge, La., markets.

About 1,800 people are employed at Empress, and Argosy executives plan to retain them, said Dan Marshall, Argosy's treasurer.

Horseshoe Gaming Holding Corp. was required to find a buyer for the Joliet property by the end of June under the terms of an agreement with the Illinois Gaming Board.

Last summer, state gaming regulators voted to deny a license to Jack Binion, Horseshoe's chief executive officer. The board said Binion had demonstrated an "inability or unwillingness" to comply with gaming industry laws.

Horseshoe, which operates a riverboat casino in Hammond, Ind., also is required to move its corporate headquarters from the Empress property. The company

plans to relocate about 50 employees to new offices in Tinley Park.

Argosy representatives said they expect to close on the Empress purchase in the third quarter, but the

deal requires the approval of the state's gaming board.

Empress Entertainment Corp. announced in September 1998 it would sell the Joliet and Ham-

mond, Ind., riverboat casinos to Horseshoe for \$609 million.

Empress opened in Joliet in July 1992, followed by Hammond, Ind., in 1996.

Illinois regulators approved the sale of the Joliet Empress in November 1999. Last June, however, the gaming board denied a license to Binion, citing a failed character investigation.

Under a settlement reached with the state in January, Binion agreed to find a buyer for the Joliet property and relocate Horseshoe's headquarters off the Empress property.

Horseshoe agreed to lease space in the Estancia Executive Centre, an office development in the North Creek Business Center in Tinley Park.

Tinley Park's proximity to major expressways, including Interstate 80, was a factor in the decision. In addition to the Hammond, Ind., casino, Horseshoe has casinos in Bossier City, La., and Tunica, Miss.

"It (Tinley Park) was a central location," Horseshoe spokesman Guy Chipparoni said.

River gaming boats put into dry dock

By Kristen McQueary
SPECIAL TO THE STAR

For 10 years, casino gambling in Illinois involved riverboats — actual vessels with rudders and captains and life vests.

The boats cruised rivers — actual waterways with shorelines and fish and waves.

Today, those simple definitions have changed dramatically.

Through a wide-ranging gambling bill approved in the spring of 1999, casino boats are allowed to stay docked. Investors pushing for a casino in Rosemont planned to build an oversized pond for their boat.

To a mere observer, dockside gaming involves little more than an anchor. In truth, the dockside law allows casinos to build bigger, one-level facilities on wide barges secured to the ground beneath the river waters.

While lawmakers — and perhaps voters — would be uncomfortable with Las Vegas-type land-based casinos, the barge model represents a step in that direction, yet it remains within the realm of "acceptability." Virtually every lawmaker who approved the 1999 bill allowing dockside gaming was re-elected in November, showing that most voters were not outraged with the change.

Supporters and gaming officials say barge-type facilities being built at Harrah's Casinos in Joliet and Hollywood Casinos in Aurora are simply more customer friendly. Rather than multi-level riverboats, the barges will be one story. They'll have higher ceilings and more space, better ventilation and more attractive floor designs.

Argosy Gaming, the company hoping to win approval

from industry regulators to buy Empress Casinos in Joliet, will look into building a barge facility there as well to replace Empress' two boats.

"From a competitive standpoint, you have to look at it," said Dan Marshall, Argosy's vice president and director of investor relations.

Gambling opponents cite the barges as another way casino operators gradually are chipping away at regulations approved in the early 1990s to control Illinois from becoming a Las Vegas.

"Within a decade, riverboats have slithered out of the water onto land," said the Rev. Tom Grey, a Methodist minister who founded the National Coalition Against Legalized Gambling. "The industry in the early 1990s couldn't get citizens to accept the Las Vegas model, so they had to sanitize it with a riverboat model, a little Mark Twain riverboat. People would take a short cruise, gamble and get off."

Today, the riverboat model is growing obsolete. States such as Missouri and Indiana are facing the same push from the casino industry toward land-based facilities. Marshall said Argosy likely will convert its Kansas City, Mo., riverboat into a land-based building as well.

"To be able to cruise, riverboats have to fit through various lock systems. They have to be narrow with low ceilings," Marshall said. "With a barge, you're not restricted in your design."

But to Grey, even the term "barge" is deceiving. It conjures up images of a water vessel. The new facilities will be attached to land, nearly replicas of land-based casinos, he said.

"You're not going to be able to tell they're on water," he

said. "We predicted eight or nine years ago this was the next step. We fought it skillfully until the money overwhelmed us."

Grey predicts the industry's next move will be increasing the number of gambling tables and slot machines allowed. Current law restricts each gaming license-holder to 1,200 gaming "positions." Each slot machine, blackjack-table seat or video poker machine is considered one "position."

"You watch. They're going to come back to the Legislature and say, 'Look at all this space. What we really need is more machines,'" he said.

Gambling opponents said many lawmakers were misled when they approved dockside gaming.

"They were told people were being trapped on the boats for two hours during the cruise so they needed to be docked," said Anita Bedell, executive director of Illinois Church Action on Alcohol Problems. "The industry makes changes in increments. It's a predatory enterprise."

Gaming officials, however, say no such movement is afoot, and other bills introduced in the Legislature that would increase gaming positions have failed, including a push in 1999.

"The barge facilities just make for a nicer experience," said Susan Gouinlock, executive director of the Illinois Casino Gaming Association, which represents riverboats. "Casinos just want a friendlier environment. It's like new office space. You can do more with it."

Gregory Jones, chairman of the Illinois Gaming Board which regulates the gaming industry and must approve

new barge facilities, said he hasn't noticed a push for more gambling machines.

"Obviously, that's something people can seek, and it's something the Legislature may or may not see as appropriate," Jones said.

Harrah's Casinos in Joliet is working on its \$86 million barge facility to replace the two existing riverboats. The project includes a new entryway, a six-story parking deck and a 250-seat buffet. An elevated skywalk will lead customers from the parking deck to the pavilion. The upgrades will reflect a more glitzy Las Vegas-style casino.

Construction began in earnest in January and is expected to be finished by October.

"It will look like a building, but it will be permanently moored in the water," Harrah's spokeswoman Bridget Domberg said. "You won't know you're on water."

Harrah's and Hollywood are pressing ahead despite a lawsuit pending over the legality of the 1999 gaming law.

A case filed by Lake County Riverboat L.P. challenged the constitutionality of the law, which was written to help the village of Rosemont snag a riverboat. The Lake County investors wanted a shot at their own license.

A judge, however, dismissed their case in January. An appeal is pending.

"I think while the case was being decided, we took it very seriously and weren't under construction," said Alan Rosenzweig, spokesman for Hollywood Casinos in Aurora. "But based on the fact that the case was dismissed, we felt the odds were in our favor that the appeal would be upheld."

Gov. Ryan defends replacement of two Gaming Board members

BY NICOLE ZIEGLER DIZON
Associated Press Writer

BOURBONNAIS, Ill. (AP) — Gov. George Ryan said Tuesday that he has never discussed a proposed Rosemont casino with the Illinois Gaming Board's two newest members, nor will he try to influence their votes on any gambling matters.

"The two folks I have nominated are excellent people," Ryan said. "They'll do a great job. I gave them no directions, no instructions. They're there to do what's right, and I'm sure they will."

The governor has been under fire from gambling critics since he announced late last month that he had replaced Gaming Board members Mac Ryder and Staci Yandle. Both voted against letting Emerald Casino Inc. move its riverboat license from a shuttered boat in East Dubuque to Rosemont, a suburb near O'Hare International Airport.

Ryder and Yandle had asked the governor to reappoint them when their terms expired this month. Instead, he replaced them with two Chicago-area businessmen, real-estate developer Elzie L. Higginbottom and former Dominick's Finer Foods CEO Robert A. Mariano.

Both Higginbottom and Mariano have ties to Chicago Mayor Richard Daley. Several Daley allies have invested in the Emerald project.

Ryan said Tuesday that he chose the two men in part because the board lacked members with business experience. Before the switch, all five board members were lawyers.

But Tom Grey, the Rockford-based executive director of the National Coalition Against Gam-

bling, said if Ryan truly wanted fresh perspectives on the board, he could have chosen from the ethicists and problem gambling experts he and other anti-gambling groups had recommended.

"If I take him at his word, I find that it falls far short of what would be a satisfactory answer," Grey said.

Ryan said he's kept his opinion on the Rosemont deal to himself so the board can make its own decision.

"I haven't put any input into it privately, nor will I publicly," Ryan said.

But Grey said the fact that Ryan ousted two board members who voted against Emerald shows their successors how he wants them to vote.

Ryan signed the 1999 law that paved the way for Emerald Casino Inc. to move to Rosemont. The law said the Gaming Board "shall" approve the move.

Board members decided the law didn't override their licensing authority and ultimately voted against Emerald. They said top Emerald officials had lied to Gaming Board investigators and alleged that some shareholders had mob ties.

The casino company has appealed the decision to an administrative law judge, a lawyer hired by the Gaming Board to handle such disputes. Officials with the casino company have been angling for a settlement that would let top officials sell their shares to another company.

Higginbottom and Mariano have said they join the Gaming Board with open minds on all gambling issues, including Emerald.

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Chicago Tribune

METRO

CHICAGO
SUNDAY
MAY 27, 2001

Critics target casino regulator

Ryan nominee's firm lobbied for investor groups

By Douglas Holt
Tribune staff reporter

The lobbying firm in which the Illinois Gaming Board's newest member is a partner has represented several would-be casino owners seeking to expand gambling in Illinois, prompting casino critics to question whether he is too

close to the gambling industry to fairly regulate it.

Gov. George Ryan recently nominated Ira Rogal, a principal in the influential Springfield lobbying firm of Shea, Paige & Rogal, to fill a vacancy on the board. Though Rogal's appointment has yet to be confirmed by the state Senate, he has begun to serve on the five-member panel.

Dennis Culloton, Ryan's spokesman, said Rogal has no conflict of interest because Rogal's firm does not currently represent casino-related clients.

"That was something that the governor's office reviewed before submitting his name to the Senate,"



Rogal

Culloton said. In a May 16 letter to a state lawmaker obtained by the Tribune, Gaming Board Administrator Sergio Acosta disclosed that

Rogal's partners in the firm "on a few occasions have represented groups seeking to ex-

pand the scope of the law to allow additional riverboat or casino gambling."

Efforts to reach Rogal for comment were unsuccessful, but he provided details through Gaming Board spokesman Gene O'Shea.

According to O'Shea and a review of public records, in 1999 Rogal's firm represented an investor group that sought to derail plans for a proposed Rosemont casino and have the casino situated in Calumet City instead.

Over the last decade, Rogal's firm also has represented in-

vestors seeking a casino in Danville and a consortium of Las Vegas casino interests that wanted to put a land-based casino in Chicago.

In addition, Billie Paige, one of Rogal's partners in the firm, was part of a group of female investors who tried to land a riverboat of their own.

None of those efforts got far enough for the investors to begin the arduous process of petitioning the Gaming Board for a license.

Acosta's letter about Rogal's

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GAMBLING:

Senator wants firm to forgo casino work

CONTINUED FROM PAGE 1

firm's casino lobbying activities was in response to questions put to the Gaming Board official at a recent Senate committee meeting by Sen. Chris Lauzen (R-Aurora).

Rogal's firm has never represented a current Illinois casino company or "any entity that has applied to the Gaming Board for a license," Acosta wrote. And he said the firm has not had any casino-related clients in over two years and Rogal personally "has never actively participated on behalf of these groups."

The letter did not address whether the firm's past casino lobbying activities posed any potential conflict of interest for Rogal.

But Lauzen said that at the very least it created the appearance of a conflict. He said he would seek a public commitment that Rogal's firm will accept no casino-related business while Rogal serves on the board and for a year thereafter.

"These selections are so sensitive because there are huge fortunes at stake," Lauzen said. "Therefore, not only do those who serve need to be unbiased and professionally disinterested in the outcomes of their decisions, they need to appear that way."

"With 12½ million people in Illinois, it would seem that we could select someone without the appearance of those kinds of professional complications."

Anti-casino activist Rev. Tom Grey said the past activities of Rogal's lobbying firm should disqualify him from consideration for the regulatory board.

"What does Ryan have in mind to appoint someone whose firm was intimately involved with the most recent gambling expansion?" Grey said. "I can't believe Ryan couldn't find a

'These selections are so sensitive because there are huge fortunes at stake.'

—State Sen. Chris Lauzen (R-Aurora)

CPA who didn't have that baggage on him."

The Gaming Board's code of conduct sets tight rules for board members and employees in an effort to promote public trust and confidence in the board's "integrity and impartiality."

Board members may not invest in or hold any contractual or economic relationship with Illinois casinos, and they can't gamble on the boats.

The state's Riverboat Gambling Act charges the board to "strictly regulate" facilities, persons, associations and practices related to casino gambling.

Rogal's firm is led by Gerald W. Shea, a former Democratic leader in the Illinois House, who is close to Ryan and was appointed by the governor to head the University of Illinois Board of Trustees. Shea donated \$20,000 to Ryan's 1998 gubernatorial campaign.

Downstate power broker and casino owner William Cellini and Shea have been investors in a Springfield hotel that benefited from a controversial state-backed construction loan in the 1980s.

Cellini runs Argosy Gaming Co., which operates the Alton Belle Casino in Downstate Alton. Last month, Argosy announced plans to buy the Joliet Empress casino for \$465 million, a deal that must be approved by the Gaming Board.

Rogal has said he would ask Gaming Board lawyers whether the interlocking business relationships between him and Shea and Cellini raise any conflicts. But Rogal has stressed that he has no personal or business relationship with Cellini.

Rogal was appointed to fill the seat of former board member Joe Lamendella, who resigned in January.

Empress sale final Tuesday?

■ **Gaming Board vote:**
Storm brewing over
governor's intervention

By Bob Okon
STAFF WRITER

The sale of the Empress is headed for a Gaming Board vote Tuesday, just in time to be thrown into a storm being created by an overhaul of the board and growing criticism that Gov. George Ryan is trying to stack the state regulatory body in favor of casino companies.

Gambling critics are expected to call for a delay in the board's vote on the Empress sale.

Hearing their pleas will be a five-member board with two members attending their first meeting.

A third member, Ira Rogal, first came to the board in April and has been accused of an alleged conflict of interest in the Empress vote.

The Gaming Board is facing growing scrutiny by those who question whether Gov. Ryan put it together to save a Rosemont casino plan rejected by a board the governor has largely dismantled.

The vote on the Empress could be seen as the first test of how this new Gaming Board is going to regulate casinos in Illinois.

"I'm anxious to see what they'll do," said Joliet Mayor Arthur Schultz.

Keeping him guessing

Schultz said he sees no reason why the board should not approve Argosy Gaming Company's acquisition of the Empress. But the growing turmoil surrounding the Gaming Board is keeping him guessing about what might happen.

Argosy's bid to buy the Empress already faced questions because of the Alton-based company's involvement in a Wisconsin Indian casino surrounded by intrigue.

But Argosy officials said they've kept their hands clean on the Wisconsin deal and hope it won't come back to haunt them in Illinois.

Argosy officials have been cooperating with Illinois Gaming Board investigators looking at the Wisconsin project and have handed over documents, said Argosy spokeswoman Virginia McDowell.

She said Argosy officials have not been told that they have any reason to worry that their bid to buy the Empress will be spoiled by what's happening in Wisconsin.

Both Argosy and the Empress casino's current owner, Horseshoe Gaming Holding Corp., have said they are ready to complete the deal if the gaming board gives approval.

"We're ready," McDowell said. "We're prepared. If we get the nod, it's something we'll proceed on."

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EMPRESS

From page A1

But gaming critics are wondering how prepared two brand new board members can be to vote on the Empress deal.

A vote Tuesday would be perilously close to what happened when a newly constituted Gaming Board voted in December 1999 to approve the sale of the Empress to Horseshoe Gaming, said Anita Bedell, executive director of the Illinois Church Action on Alcohol Problems, a civic groups that watches what happens in the gaming industry.

Board reversed itself

The board later reversed itself, refused to renew Horseshoe Gaming's casino license, and forced another sale of the Empress, which led to where they will be Tuesday.

Bedell and Rev. Tom Grey, head of the National Coalition Against Gambling Expansion and the state's leading critic of the gaming industry, wrote Gov. Ryan to ask him to withdraw the new nominations of Elzie Higginbottom and Robert Mariano.

The two new members, yet to get final approval from the state legislature, are likely to sit on the board Tuesday and will be allowed to vote under the rules of the Gaming Board.

"It's like deja vu all over again," Bedell said, harking back to the 1999 vote on the Empress. "Two years ago we were in the same type of scenario, where two board members with no experience voted for the Empress deal and then had to go back and back track."

One difference this time could be a recommendation in favor of the sale from the investigative staff at the Gaming Board.

The staff gave no recommendation on Horseshoe Gaming's acquisition of the Empress, which immediately raised questions about the board's vote in favor of the deal.

When internal documents later surfaced and showed the staff investigators had serious concerns about Horseshoe Gaming Chairman Jack Binion, the board was thrown into turmoil. Former Chairman Robert Vickery, who presided over the vote in favor of the Empress, resigned.

If staff investigators are silent again on the Argosy bid to buy the Empress, critics will be calling for answers.

Bedell said she does not believe the Higginbottom and Mariano could be ready to decide whether Argosy deserves to buy the Empress.

She also has challenged Rogal's capacity to vote on an Empress sale to the Argosy.

One of Rogal's associates at his law firm, Gerald Shea, was a business partner on a Springfield hotel project with William Cellini, chairman of the board at Argosy and a big financial contributor in the Illinois Republican Party.

At a May board meeting, Rogal declined to answer Bedell's accusations that he had a conflict of interest.

Panel gets dirt to hit

Since the days of Al Capone, 82 year-old Chicago Crime Commission has been a gold mine of information on local mob

BY ABDON PALLASCH
LEGAL AFFAIRS REPORTER

It takes more than a pesky libel suit to scare Wayne Johnson, 50, the Chicago Crime Commission's barrel-chested cop-turned-mob-watcher who is trying to keep the casino business out of Rosemont.

Likewise, Rosemont's orange-haired Mayor-for-life Don Stephens, 73, refuses to let some good-government group capsize his casino dream by accusing him of having mobbed-up friends.

So the skirmishing continued last week as Johnson took the podium at a state Gaming Board meeting and named the alleged mobsters—with nicknames like "Jeeps" and "Apes"—who he says are close to Stephens. Then Johnson dared Stephens to proceed with his libel suit, saying, in effect, "Bring it on!"

"The timing of this suit makes its objective obvious," Johnson said, reading from a prepared statement at the podium. "The mayor plainly has acted to try to intimidate the Chicago Crime Commission and me from appearing today and speaking the truth."

A libel suit would give the Crime Commission a chance to force Stephens and his alleged mob buddies to answer questions under oath. Johnson's comments made clear he and the commission relish the prospect.

whose client, Salvatore "Sam" Cecola, says he is wrongfully listed. "No. 1, they don't have the money it takes to bring a libel action. And, No. 2, with all due respect to most of these people, most of them could not withstand a deposition. They've been taking the Fifth Amendment for 30 years."

Some of the purported mobsters carry around the list to show wannabes that they've arrived, said Jack O'Rourke, a former FBI agent who helped put away hit men Harry Aleman and Lenny Patrick, who reportedly killed 26 men between them.

"Everything I've ever seen was right," O'Rourke said of the commission's reports. "Wayne Johnson has done a real good job. He always had a good feeling for who was who. He's a well-respected guy. I worked with Wayne on a lot of cases when he was a police sergeant. We'd exchange information when he was a police officer. He's got a lot of his contacts within the Chicago Police Department and many other agencies as well."



SCOTT STEWART/SUN-TIMES

Chicago Crime Commission chief Wayne A. Johnson has been threatened with a lawsuit for alleging that Rosemont Mayor Don Stephens has mob ties, but experts say Johnson's information is usually on the mark.

Johnson spent 24 years as a Chicago cop, finishing in the intelligence division working on organized crime. Four years ago, he jumped to the Crime Commission, succeeding Jerry Gladden, another former cop, as chief investigator.

After Johnson's first speech earlier this year, the Gaming Board rejected the application for a Rosemont casino, citing mob ties of unnamed investors. Since that meeting, Gov. Ryan has replaced two board members, and it's unclear how a new vote will go.

Johnson was 4 years old when Stephens was elected Rosemont's first and only mayor. Stephens has admitted meeting reputed Chicago mob boss John "No Nose" DiFronzo, 72, once or twice and buying property from Sam "Momo" Giancana and his family 40 years ago. But Stephens says he is the one who drove the mob from Rosemont.

Stephens called Johnson "pa-

thetic" and says his comments have damaged Stephens' "distinguished reputation." Twice through the years federal prosecutors tried Stephens for fraud, and twice juries acquitted him.

Howard Abadinsky, a mob expert and professor at St. Xavier University in Chicago, has worked with the Crime Commission and finds its reports on target.

"I'm really impressed with Wayne Johnson," Abadinsky said. "He took me on an organized crime tour of Chicago. The tour was so good, we actually ran into Joey Lombardo."

The Crime Commission ranks

Joe "The Clown" Lombardo, 72, as a No. 2 man, or "adviser" to DiFronzo.

"We were in the alley on Grand Avenue and there he was, a big cigar in his mouth, working on his garage," Abadinsky said. "He didn't bat an eye. He just took a glance at us and just continued working on it. I was impressed with his nonchalance."

The FBI and local law enforcement agencies trade information with the Crime Commission, consulting the group's files and taking Johnson's tips.

The close relationship worries Gentile, the attorney for Cecola.

Based in part on the Crime Commission naming Cecola as a mob associate, Nevada moved to put his name on the "black book," banning him from running gambling operations in the state. Gentile subpoenaed Johnson in April to come to Nevada and answer questions about his evidence against Cecola.

"What he said was that the Chicago Crime Commission does not employ standards," Gentile said. "They take the word of law enforcement where law enforcement could not make a statement because it has 'due process' standards. They can't be arbitrary and capricious. He established that the Chicago Crime Commission can be arbitrary and capricious, using unofficial law enforcement opinion as a basis to put someone into their list."

Cecola's felony federal conviction for failing to file taxes on income from his adult bookstores does not make him a mobster, Gentile said.

Because of Stephens' threatened suit, Johnson said he could not comment for this article. But he and Kirkpatrick repeatedly have said they don't put any name on the list without evidence.

A law enforcement source said he expects the evidence will hold up against Stephens, too, and he wonders whether Stephens is willing to follow through on the suit.

"There's an avalanche of information on Stephens," the source said. "Once this thing goes into court, they can call Joe Lombardo and John DiFronzo."



JEAN LACHAT/SUN-TIMES

Rosemont Mayor Donald Stephens isn't letting his casino dreams die without a fight.

For 82 years, since the worst days of Al Capone, when even cops and judges pocketed illicit profits, the Chicago Crime Commission, a privately financed agency independent of government, has monitored the Chicago mob. For its wealth of information—who's on top, who's on the outs, who shot whom—it has relied on informal communications with local, state and federal law enforcement.

Back in the 1930s, commission leaders forced meetings with Capone, warning him not to mess with local elections. Today, the commission's corporate backers check with the commission to make sure companies they do business with aren't tied to the mob.

Every few years, the commission publishes a chart naming 150 alleged mob members and associates—union leaders, numbers runners, political operatives, even police officers. And in 82 years, only one has ever sued.

"A lot of people threaten, but then they always drop it," said Commission President Tom Kirkpatrick. "One person 20 years ago. It was a case of mistaken identity. We settled."

The prospect of having to be deposed under oath by Crime Commission attorneys has dissuaded the others from challenging their dubious distinction.

"Most of the people on the list have two serious problems that would get in the way of their bringing a suit," said Dominic Gentile, a Las Vegas attorney

Outfit where it hurts

Who's Chicago's godfather?

BY ABDON M. PALLASCH
LEGAL AFFAIRS REPORTER

Since the death nine years ago of Tony "Joe Batters" Accardo, Chicago's mob has been without an official "godfather," mob watchers here say.

The Chicago Crime Commission lists John "No Nose" DiFronzo, 72, as the boss of the Chicago Outfit. DiFronzo owned Northwest Side car dealerships and other businesses and reportedly earned his nickname in 1949 when a police bullet took part of his nose off in a botched armed robbery attempt. He has 26 arrests and four convictions under his belt.

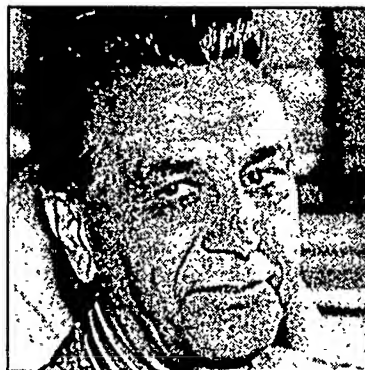
The Combined Counties Police Association suspects Joey "the Clown" Lombardo, 72, actually is the boss but that he lets people

think DiFronzo is the boss to confuse the feds.

Still others would give the crown to Joe "the Builder" Andriacchi, 68.

"That's the beauty of the Chicago Outfit: Nobody can even figure out who's the head of it," said Howard Abadinsky, a mob expert and professor at St. Xavier University. "I'm impressed with their ability to keep that information secret. Contrast them to New York families where information leaks out like a sieve all the time."

Whichever man is in charge, the bookmaking, union infiltration and political fixing go on, police say. Accardo reportedly advised his deputies to avoid attention-grabbing street killings. Instead of whacking delinquent bettors, the mob cuts them off as a regular



John "No Nose" DiFronzo
Crime Commission's pick



Joey "the Clown" Lombardo
Trying to confuse feds?

bank would, Abadinsky said.

"Obviously [the mob] is still here," Abadinsky said. "They're just smart enough to keep a low profile with violence. The absence of violence has made the Outfit much more successful."

DiFronzo was running the day-



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Since the death of Chicago crime boss Tony Accardo nine years ago, mob-watchers haven't been able to agree on who's in charge.

to-day operations of the mob as Accardo died and Lombardo served a prison sentence for trying to bribe former U.S. Sen. Howard Cannon (R-Nev.). Lombardo's exploits served as fodder for the movie "Casino." Lombardo could have retaken the reins when he got out of the joint.

The U.S. attorney's office continues to churn out indictments against alleged mobsters.

Mob associate John Serpico, 70, former president of the Cen-

tral States Joint Board union organization, was convicted this month for his role in a scheme to get favorable personal loans from banks in return for depositing union funds he controlled.

Anthony Centrachio, 72, whom the Crime Commission considers the boss of the West Side and DuPage County branches of the mob, is awaiting trial on charges he bribed public officials to protect the mob's video gambling interests in the west suburbs.

p. 3

Gotti a legend, but defeated and dying

Former 'Dapper Don' does life in prison as his New York mob fades

BY RICK HAMPSON

NEW YORK—Before he made the cover of Time, before he became "The Teflon Don," John Gotti confided one great ambition for his Mafia family. "I'm gonna put this thing together where they could never break it," he told his men, "even if we die."

"They" were the police, who were secretly recording Gotti's words. They would finally use such incriminating admissions to send the mob boss to prison for life.

Now Gotti is fighting for life, and so is his Gambino crime family. At 60, he is withered from terminal cancer and is confined at a federal prison hospital in Springfield, Mo. His crime family—the most powerful in America when Gotti seized control 16 years ago in a bloody coup on a Manhattan street—is not even the most powerful in New York.

Gotti espoused the old, insular Mafia virtues but made himself such a celebrity that prosecutors had to go after him. He complained about subordinates' loose lips but destroyed himself with his own. He knew informers were a problem, but not his problem. "Everybody in the city got rats near them, but we ain't got 'em near



John Gotti sits in court during one of his trials in 1990. He went to prison in 1992.

us," he told Salvatore "Sammy the Bull" Gravano, an underboss who would betray him.

Gotti has spent most of the past decade alone in a windowless, closet-sized cell for all but a few hours each day. "I'm cursed," he told relatives who visited him. "I'm stuck in this joint here, and that's the end of it. This is my realm, right here."

In prison, another inmate slugged Gotti to the ground in 1996. The injury was mi-

nor, but it was a blow to the Gotti mystique.

The Gambino crime family emerged from Prohibition as one of New York's five Mafia families. It eventually got its name from Carlo Gambino, who became boss in 1957. John Gotti, a captain, seized control on Dec. 16, 1985, in a conspicuous way: murder in public of his boss, Paul Castellano, Gambino's successor. Now Gotti was boss. The legend of "The Teflon Don" was born.

Gotti's silver hair was swept back perfectly. His diamond pinkie ring sparkled. "He never took a bad picture," Gravano said. "Cameras just sort of loved him." The news media called him "The Dapper Don."

Such brazenness infuriated the FBI, which seized on Gotti's great weakness. He talked too much, though he knew the government was trying to listen.

Agents planted electronic listening devices in an apartment where Gotti thought he could talk in safety. He was recorded saying things such as "I whacked him" and complaining about Gravano's greed. After they were both arrested in December 1990, Gravano heard the tapes, weighed his chances and became the highest-ranking mafioso to testify for the government.

Gotti was convicted of Castellano's murder and other organized crimes and was sentenced to life imprisonment. On June 24, 1992, he was whisked by government jet to Marion, Ill., the most secure

federal prison.

For the next eight years, Gotti spent an average of 22 hours a day in a concrete, 8-by-8-foot cell with a radio, a 13-inch black-and-white television, a cot, a basin, a toilet and no chair. Meals were passed through a slot in the solid cell door. He got two showers a week and an occasional walk in an outdoor prison yard.

In 1998, Gotti got cancer. Surgeons removed malignant tumors from the back of his throat, and he underwent radiation therapy. Last fall, the cancer returned.

"He has advanced cancer," says his lawyer, Joseph Corrozzo. "But he's up and around. He's not on his deathbed. There are no funeral plans."

The Gambino crime family, however, may be on its deathbed. Scores of its 200-odd members have been imprisoned. The organization has lost its business edge in construction, garment, trucking and garbage carting.

Few law enforcement officials think the acting boss, Gotti's older brother Peter, is up to the task.

In a prison surveillance tape telecast last year on a Discovery Channel documentary, Gotti blamed everyone but himself.

"Why do you think this group of people fell apart without me?" he asked Peter during a visit in 1998. "Everyone became their own boss, set their own moral codes, set their own reasons, their own rhyme, and that's the end of it. . . . That's the end of the ballgame."

METRO

Gaming appointees gave to Daley, Ryan

BY NICOLE ZIEGLER DIZON

Four days before he was named to the Illinois Gaming Board, Robert Mariano donated \$1,500 to Mayor Daley's campaign fund.

Three months earlier, a real estate company owned by Elzie Higginbottom, whose Gaming Board appointment was announced on the same day as Mariano's, gave \$10,000 to Gov. Ryan.

Gambling critics say the contributions, made public this week in filings with the State Board of Elections, are more evidence that the Gaming Board's two newest members are products of politics. But a spokesman for Ryan, who made the appointments, likens the connection to the plot of "an Oliver Stone movie."

"This appears to have nothing to do with anything except more attacks on their fine character," Ryan spokesman Dennis Culloton said Thursday. "These are successful business executives who have been involved civic leaders and answered a call to public service."

Mariano and Higginbottom did not return messages left Thursday. Daley's office had no comment.

Their appointments came under fire by gambling foes. The two businessmen, both linked to Daley,

replaced two Gaming Board members who had voted against allowing Emerald Casino Inc. to move its riverboat license to Rosemont.

Campaign records show another Gaming Board member, investor Stuart Levine, gave Ryan \$10,000 in March despite the governor's executive order barring contributions from appointees of state boards.

Last year, Ryan returned \$10,000 Levine had given him, citing the order. Culloton said Ryan would review the recent donation.

Lobbyist Ira Rogal, appointed by Ryan in April to fill a Gaming Board vacancy, gave \$250 each to his local GOP senator and representative during the latest election cycle, records show.

Board Chairman Gregory Jones was the only Gaming Board member who did not make a political donation during the first half of the year.

Meanwhile, the state's riverboat owners continued to boost the campaign funds of state politicians this year.

Investors in the Emerald casino and their companies gave at least \$13,500, records show. The company itself, which is in financial trouble, and its top executives did not donate.

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Wednesday, October 17, 2001

\$7.2 million fine for Elgin casino

Grand Victoria accused of doing business with mob-tied firms, breaking law on contract

By CHRIS FUSCO
Staff Reporter

The state's top-grossing casino was hit Tuesday with a \$7.2 million fine—the highest in state gambling history—after being accused of doing business with four allegedly mob-tied companies, breaking state law on a contract issued to one of them and destroying security records.

The Grand Victoria casino in Elgin had contracts or business relationships with four companies owned or run by Joseph Bastone and Jamie Bastone, sons of Carmine Bastone, according to the Illinois Gaming Board. The three "have each been identified as known members and/or associates of organized crime," board counsel Jeannette Tamayo said, citing undisclosed law enforcement sources.

Since 1999, three of the Bastone companies provided cigar and vending services to the casino, Tamayo said. She did not say if

they still were doing business with the Grand Victoria.

Donna More, a lawyer for the casino, vowed to fight the allegations, which will be detailed in disciplinary complaints to be made public within the next few weeks. "We are shocked by this action," she said.

Joseph Bastone, president of two of the companies, had little to say about the board's allegations. Other family members couldn't be reached.

"I have no response," Joseph Bastone said. "This is the first I'm hearing about it."

A company run by Joseph Bastone, Pure Air Werks Inc. of St. Charles, got a \$292,000 contract last year to install six air purification systems at the casino, Tamayo said. The Grand Victoria was its first job, Tamayo said.

The Grand Victoria, Tamayo said, failed to secure three bids for the work as required by state gambling law. Also, casino general manager Pete Dominguez ap

proved the contract without consulting the casino's executive committee, another state requirement.

Pure Air subcontracted the job to another company, which subcontracted it to a third that is awaiting full payment for the \$131,800 in work it did, Tamayo said.

Grand Victoria's attorney says the casino did nothing wrong. In fact, it issued a press release this summer touting its "cleaner and fresher air" and praising Pure Air Werks.

"The company was selected in a competitive bid," More said. "The system was installed, and it works correctly. . . . At the time we entered into the contract, we were unaware that the Illinois Gaming Board determined the contract was unsuitable."

The Pure Air contract was only "one quarter of 1 percent" of what the casino spent on goods and services last year, More said.

But Tamayo said Grand Victoria failed to conduct a proper background check. She also accused its security chief, Edward

Cisowski, of overseeing the destruction of many of last year's security records. Also, at least 18 people visited secure areas of the casino without record of their identification last year.

Tamayo would not say whether the security issue was related to the Pure Air or other contracts with the Bastones. Cisowski, a former Illinois state police investigator, declined to comment.

The gaming board revoked Cisowski's license and fined him \$15,000, pending the casino's appeal. The board also suspended Dominguez for six months with a \$10,000 fine, and a marine employee for a month.

The casino said it has no plans to fire the three employees.

Since it opened in 1994, Grand Victoria has become the state's highest-grossing casino, taking in between \$1.2 million and \$1.5 million each day. A casino foundation has donated more than \$110 million to charity.

Contributing: Tim Novak

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Chicago Tribune

SECTION

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TRIBWEST

NAPERVILLE
LISLE, E. AURORA
WEDNESDAY

OCTOBER 31, 2001

DN



Mary Schmich and Eric Zorn

Fear got a grip? Scare up some common sense

To: Osama bin Zorn

From: Mary Schmich

Because it's Halloween, our official day of fear, I have a question, one I hope readers will contemplate about themselves and their friends: What scares you, big guy?

We reveal ourselves through our fears. As we've learned in the past few weeks, most of us share certain basic fears but we differ on the particulars.

I'm not scared of airplanes, even now, but I'm scared of car crashes. I don't worry much about anthrax but mice give me the creeps.

I'm not so much scared of dying as I am of living with great physical pain. I'm scared of losing my ability to walk, though I suspect people who have lost their mobility would say that there's a lot to be learned from sitting still.

I get scared looking down from a

By Douglas Holt
Tribune staff reporter

The Illinois Gaming Board's incoming top administrator said Tuesday he intends to take a fresh look at the stalled Rosemont casino project, a proposal his predecessor rejected for mob involvement and false statements casino officials made to state regulators.

"The people of the state of Illinois are losing hundreds and hundreds of millions of dollars when this gaming license



Philip C. Parenti is the Illinois Gaming Board's new chief.

is not in play. I mean, that's a fact," Philip C. Parenti, a criminal defense lawyer, told reporters after accepting the \$160,000-a-year administra-

tor's job.

"That money could go to the education of our children, toward shoring up law enforcement against terrorism, all kinds of things. Everybody knows that's a factor."

Under the former administrator, Sergio Acosta, the politically connected owners of the Emerald Casino planned for Rosemont were denied a license. Acosta also forced the sale of a Joliet casino owned by Jack Binion and aggressively sought to rid the state's nine existing casinos of mob

influence.

Parenti, 52, said he had drawn no conclusions about the Rosemont casino because he had not been briefed on that matter by investigators. And he said he fully intended to continue efforts to fight mob influence among casino operators.

Parenti's words heartened Rosemont casino backers and angered casino critics who have squared off in a battle that has touched off four lawsuits and an administrative review process set for trial in

May.

"He stole one of my speeches, it sounds like," said a pleased Gary Mack, spokesman for Rosemont Mayor Donald Stephens. "Clearly the 10th license wasn't going anywhere quickly under the previous administrator. Maybe having some new blood in will get it off the dime."

Rev. Tom Grey, executive director of the National Coalition Against Gambling Expansion, called the comments

PLEASE SEE CASINO, PAGE 2



Teardowns in DuPage

The number of older homes demolished and replaced by new residential construction rose over the past five years in many DuPage County communities. Some examples:

TEARDOWNS: ☐ 1995 ☒ 2000

Clarendon Hills

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CASINO: Statement 'shocking' to coalition

CONTINUED FROM PAGE 1

very troubling and said the best course for taxpayers would be an open, competitive bid for the license.

"This was really a very shocking statement for someone in this climate with this particular license," Grey said. "It would suggest that he's troubled by the previous administrator and board's decision."

The gaming board in January rejected the Emerald Casino license bid, contending top officials behind the effort lied to state regulators, contracted with a mob-related vendor and sold shares to two investors with alleged ties to organized crime.

Casino backers have stressed the loss of state revenue as a reason for moving ahead with the Rosemont project, rarely mentioning that a big chunk of the state's revenue would subsidize horse racing. Experts estimate the state would get \$43 million a year from a Rosemont casino, while horse racing would get \$60 million.

Parenti said he was unfamiliar with that provision of the law.

In addition to the Emerald Casino issue, his administration will take over a case against the

Grand Victoria Casino in Elgin, which the board recently voted to fine \$7.2 million for doing business with mob-connected companies.

"Nobody wants organized crime or the mob to have any influence whatsoever in the gaming industry in Illinois," Parenti said.

Parenti said his top concern will be maximizing state revenue.

"This is the Illinois Gaming Board. And if there is no gaming, there's no reason for the board," he said. "My fiduciary obligations to the people are my primary concern. We're going to make sure that gaming thrives, but in a well-regulated manner."

Parenti is to start Nov. 16 after a board vote on his appointment, which seems to be a formality since the board met Wednesday to discuss it. Parenti said he spoke with Gov. George Ryan about the job but said their discussion did not touch on the Rosemont casino.

Board Chairman Gregory Jones, who once supervised Parenti in the U.S. attorney's office, praised Parenti for a distinguished career.

"We are extremely fortunate to find an administrator with his qualifications," he said in a statement.

His clients have sometimes been notorious, including Clarence McClain, an associate of Mayor Harold Washington, who was convicted of accepting a \$35,000 bribe in a Chicago contracting scheme, and several members of the mob, including one who pleaded guilty to participating in an illegal betting ring.

SATURDAY DECEMBER 1, 2001

ELGIN

**Casino claims
ignorance on firm**

When Grand Victoria Casino in Elgin awarded a \$292,000 construction contract to Pure Air Werks in January, the casino did not know the company's location, its financial viability or whether it carried worker's compensation insurance, according to papers filed this week with the Illinois Gaming Board.

The casino also said it has no knowledge regarding a key allegation concerning the St. Charles firm that has raised the ire of state regulators. According to the Gaming Board, Pure Air Werks is headed by an organized crime associate, Joey Bastone.

In 186 pages, lawyers for the casino, General Manager Pete Dominguez and Security Manager Edward Cisowski mostly denied knowledge of allegations that prompted the Gaming Board in October to levy a \$7.2 million fine against the state's most lucrative casino, with revenues of more than \$1 million a day.

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Chicago Tribune

TRIBWEST

NAPERVILLE
LISLE, E. AURORA
WEDNESDAY
DECEMBER 19, 2001

DN

Insurer under probe

Rosemont mayor to cut ties to pal

By Michael Higgins and Douglas Holt
Tribune staff reporters

Federal agents have subpoenaed Rosemont village records and questioned Mayor Donald Stephens about a lucrative village insurance contract and a longtime friend and business partner, according to Stephens and village records.

Stephens said Tuesday that FBI agents have questioned him twice in the last four months about Acordia of Illinois Inc., an insurance brokerage that oversaw the village's liability and property insurance coverage from 1991 to 1996. He said agents also asked him about Nicholas Boscarino, a Stephens' business partner and investor in a proposed Rosemont casino who has been accused by the Illinois Gaming Board of having mob ties.

It is not clear how Boscarino and Acordia are connected, but Rosemont on Tuesday filed a \$1 million fraud lawsuit against the firm, claiming it had overcharged the village, as Stephens suggested that Boscarino had profited from the arrangement. The mayor said he was severing all ties to his longtime friend, who he has up to now vigorously defended against allegations leveled by gaming regulators.

"Questions raised by federal investigators have led me to believe that Nick Boscarino had some involvement in this [Acordia] matter, the full extent of which has not been revealed to us by authorities," Stephens said. "I feel betrayed. So today I walk away from Nick Boscarino."

Rosemont lawyers said the U.S. attorney's office has told them that neither Stephens nor other Rosemont officials are targets of the investigation. Stephens said Rosemont had been the victim of the scheme and that he expected to testify for the government if charges are brought. Officials at the U.S. attorney's office in Chicago declined to comment.



Tribune photo by Jerry Tomasselli
Mayor Donald Stephens on Tuesday: "Today I walk away from Nick Boscarino."

The civil lawsuit, filed in Cook County Circuit Court, alleges that Acordia and its former president, Ralph Aulenta, used hidden fees to overcharge the village almost

ROSEMONT: Stephens, Boscarino co-own firm

CONTINUED FROM PAGE 1

\$1 million.

Rosemont lawyers said that as part of the investigation, the FBI also questioned other Rosemont officials. And records show the U.S. attorney's office subpoenaed documents, including all village records related to the awarding of insurance contracts since 1990.

Efforts to reach Boscarino were unsuccessful. Rodney Piercey, who according to Gaming Board records represents Boscarino's family, declined to comment.

Ronald Safer, a lawyer for Acordia, would not comment on the lawsuit, noting that Rosemont held its news conference before delivering the complaint to the company.

Safer said Boscarino has never held a position with Acordia. "I believe that he was an agent of the village, retained by the village, presumably with the mayor's consent, to represent the village in the purchase of insurance," he said.

Village officials denied that Tuesday, saying Boscarino had nothing to do with the village's selection of Acordia. Stephens

said it was only after talking to the FBI that he came to believe that Boscarino had some connection to the situation.

A woman who identified herself as Aulenta's wife directed calls to his lawyer but declined to identify the lawyer's name.

Looming behind the insurance probe is Stephens' ongoing quest to land a casino in Rosemont. The casino seemed to many like a done deal in 1999, when a new state gambling law, passed with Stephens' formidable lobbying help, appeared to give Emerald Casino the right to build in Rosemont.

But in January the Gaming Board voted to revoke the company's gambling license, citing

Looming behind the insurance probe is Donald Stephens' ongoing quest to land a casino in Rosemont.

among other things the alleged mob ties of Boscarino and another investor.

Emerald officials have appealed that decision and accused the board of engaging in "unsupported character assassination."

At the time of board's ruling, Stephens vigorously defended Boscarino, 49, a former Teamsters official in Rosemont.

"Mr. Boscarino's big crime is being in a union," Stephens

said earlier this year. People jumped to unfair conclusions about Boscarino, Stephens said, in part because Boscarino's father had been killed in an organized-crime hit when Boscarino was a youth.

Stephens and Boscarino have co-owned American Trade Show Services, a company that leased forklifts to trade show contractors at McCormick Place. On Tuesday, Stephens said he would sell his interest in the forklift company.

Gaming Board Administrator Philip C. Parenti declined to comment in detail, but did suggest that the allegations against Boscarino could further complicate matters for the proposed casino.

"It certainly doesn't help," he said.

Acordia was known as American Business Insurance Agency Inc. when officials in its Schaumburg office approached the village in 1990, responding to a village request for bids on its insurance business, Rosemont lawyer Dan Reinberg said Tuesday. The company underbid two rivals and won the contract, Reinberg said.

The contract paid Acordia to find companies to insure the village, including coverage for property, automobiles, police and public officials.

Village Atty. Peter Rosenthal said the village never realized it was being overcharged because the many policies involved made it difficult to do a straight comparison to other insurance brokers.

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Chicago Tribune

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SUNDAY

DECEMBER 23, 2001

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Rosemont mayor shifts stand



Tribune photo by Jerry Tomaselli
Rosemont Mayor Don Stephens has stood by a number of controversial figures.

Breaking off ties to pal under fire marks a reversal

By Douglas Holt and Michael Higgins
Tribune staff reporters

Until a few years ago, seeing the clout Nick Boscarino wielded in Mayor Don Stephens' Rosemont was as easy as walking to an elevator in the office building that houses Village Hall and pushing the "up" button.

At the top of the eight-story, village-owned building on Devon Avenue was a forklift rental company co-owned by Bos-

carino and Stephens that serviced trade shows. One floor down was a cleaning company once owned by Boscarino and Stephens' son that won no-bid contracts at the town's convention center named after the mayor.

On the ground floor was the rib joint and sports bar Boscarino owned.

Boscarino, 49, has since sold his interest in all three companies. But he remained close to Stephens, who helped Boscarino's family join the Emerald investment group hoping to build a casino in Rosemont.

Last week, Stephens declared he was severing ties to Boscarino as the mayor disclosed that he had been questioned by federal agents about

Boscarino's alleged involvement in an insurance scheme that may have defrauded Rosemont out of \$1 million.

On Thursday, Stephens testified before a federal grand jury looking into the insurance scheme, Rosemont attorney Peter Rosenthal said. Stephens has said that neither he nor Rosemont is a target of the probe, a statement the U.S. attorney's office has declined to confirm or deny. Boscarino could not be reached.

Stephens' abrupt turn on Boscarino marks the end of a relationship that has been close ever since Boscarino's father, Angelo, was murdered in a grisly gangland hit in 1965. Nick Boscarino was 13 at the time, and friends of Stephens'

say the mayor had treated him like a son ever since.

The public denunciation of Boscarino also amounts to a sharp departure from the way Stephens has stood by Boscarino and a number of other controversial Rosemont figures long after they have been implicated in wrongdoing, including organized crime activities.

As recently as last summer, Stephens went out of his way to publicly defend Boscarino after the Illinois Gaming Board rejected the Emerald group's bid for a casino license and cited the alleged mob ties of Boscarino as one of the reasons.

PLEASE SEE ROSEMONT, PAGE 2

ROSEMONT: Stephens had defended pal in casino bid

CONTINUED FROM PAGE 1

"I've known Nick Boscarino for 25 years," Stephens said at the time. "If you can show me something he's done that's illegal, I'll walk away from him."

That's exactly what Stephens said he was doing when it became clear Boscarino was the focus of federal investigators—even though Boscarino has not been charged with any crime.

The sudden disavowal of Boscarino is a departure for Stephens in other ways as well. Twice indicted on corruption charges by federal authorities and twice found not guilty, Stephens routinely preaches the importance of sticking by friends and of not rushing to judgment on those charged with crimes.

In 1989, for example, Stephens wrote to a federal judge pleading for leniency for Anthony Daddino, a longtime friend who had been convicted in a crime syndicate shakedown scheme of porn shops. Stephens told the judge he would give Daddino a job on the Rosemont village payroll if he was released.

"Mr. Daddino and I have been acquainted since high school, for over 40 years," Stephens wrote. "Anthony's judgment and associations have brought him to his former and present problems. Anthony is not one to take the lead or initiate the happening."

Gary Mack, a spokesman for Stephens, said the mayor was more forgiving of Daddino because his misdeeds did not affect Rosemont or the mayor personally. The same cannot be said of the allegations against Boscarino, Mack said.

"You take both of those together—that is like nitroglycerine to Don Stephens," Mack said. "It goes back to Rosemont. It's his first love. He will do anything for that community."

Boscarino has long been a controversial Rosemont figure, causing him to catch the eye of regulators when his family name showed up as a casino investor. Through his companies, he has showered tens of thousands of dollars in political contributions on not just Stephens, a Republican, but also on Republican Gov. George Ryan and Democratic House Speaker Michael Madigan.

Boscarino figured prominently in a 1996 investigation that led federal authorities to take over Teamsters Local 714. After one day of questioning that focused in part on Boscarino's social and business ties to an alleged crime syndicate figure, Boscarino quit rather than face another day of testimony, said the federal report recommending the takeover.

Union investigators concluded that Boscarino had serious conflicts of interest while he was a powerful steward overseeing union workers at trade shows in Rosemont. The investigators found that he had hidden from it his ownership stakes in four companies that employed union workers whose interests he was supposed to represent.

Federal labor investigators also looked at allegations that Boscarino threatened the owner of a forklift company that had agreed to supply a new company vying for business at McCormick Place. Boscarino denied the allegations.

Perry DuBose, owner of the supplier to Boscarino's rival, testified that Boscarino called him to say it wasn't smart to be doing business with the new company. Later, screwdrivers were jammed through radiators of DuBose-owned forklifts. And collisions tore off oil plugs, smashed gas tanks and dented new machines, said DuBose, whose testimony had been part of a lawsuit that was settled under confidential terms.

DuBose recalled that an employee of Boscarino's had warned him too. "Things happen," the man said, according to DuBose. "Things get broken, run into. Things disappear... Things happen down here and no one knows who does it."

Even so, Stephens stuck by Boscarino—until now.

(Mount Clipping in Space Below)

Stephens pal indicted in scam

**Rosemont mayor
recently severed
business relations**

**By Matt O'Connor
and Michael Higgins**
Tribune staff reporters

A former business partner and close friend of Rosemont Mayor Donald Stephens was indicted Thursday on charges he and an insurance broker stole nearly \$300,000 as part of a seven-year insurance scam.

Nick S. Boscarino, who with Stephens formerly co-owned at least one business allegedly involved in the scheme, was charged with 14 counts of money laundering, conspiracy and wire fraud.

Boscarino is an investor in the proposed Emerald Casino in Rosemont, but last year the Illinois Gaming Board revoked the company's gambling license, citing in part Boscarino's alleged mob ties.

Also charged was Ralph E. Aulenta, president of a Schaumburg-based insurance brokerage, American Business Insurance Agency of Illi-

nois. The company was purchased in 1994 by Accordia Inc., a major national insurance carrier.

Stephens isn't named in the indictment, and Assistant U.S. Atty. Brian Netols refused to say if Stephens is under investigation, though he noted the federal probe is continuing.

A spokesman for Stephens said the mayor was out of town and could not be reached.

Through a series of sham transactions, Boscarino and Aulenta are accused of siphoning \$288,670 in insurance pre-

miums paid by the Village of Rosemont to Aulenta's brokerage firm, the charges alleged.

The money should have gone to Accordia, Netols said. He added that the alleged scheme didn't affect Rosemont's insurance coverage.

Through successful investments, the allegedly stolen funds grew to \$462,765—which the government now seeks in forfeiture.

To divert the money to themselves, Boscarino and Aulenta allegedly made the premiums appear to be commissions earned by one of Boscarino's companies for brokering Rosemont's insurance purchases.

The two also made the money appear to be rebates paid to Boscarino's companies, though the rebates exceeded what the companies paid for their insurance, Netols said.

Boscarino's Rosemont companies—three of them provided services for trade shows, and the fourth was a restaurant called Ribs, located in the Village Hall—were insured

PLEASE SEE ROSEMONT, PAGE 5

(Indicate page, name of
Newspaper, city and state)
Pgs. 1&5 Sec.2
Tribune
Chicago, IL

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Title: Stephens pal indicted
in scam

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FBI/DOJ

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ROSEMONT: Stephens backed pal, then cut ties

CONTINUED FROM PAGE 1

through Aulenta's brokerage firm, authorities said.

Aulenta is alleged to have created phony documents to conceal the scheme from Accordia, Netols said.

After the state gaming commission blocked the Emerald Casino's bid, Stephens initially defended his longtime friend and business partner, arguing that Gaming Board investigators had unfairly labeled Boscarino in part because he was a

former Teamsters official.

But last month, Stephens said he was severing business ties with Boscarino after federal agents questioned the mayor about Boscarino's alleged involvement in the insurance scheme.

Stephens also said he would sell his shares in American Trade Show Services, a forklift leasing company he co-owned with Boscarino that was one of the companies involved in the scam.

Boscarino's lawyer, Charles Sklarsky, denied any wrongdoing on his client's part.

"We haven't seen the indictment yet, but we are looking forward to our day in court and the opportunity to prove our client's innocence," Sklarsky said.

Attorney Thomas Breen, who represents Aulenta, also hadn't seen the indictment and declined to comment.

(Mount Clipping in Space Below)

(Indicate page, name of
Newspaper, city and state)
Pg. 14
Sun-Times
Chicago, IL

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Two indicted in fraud scheme

*Businessman tied
to Rosemont mayor
charged in scam*

By CURTIS LAWRENCE
STAFF REPORTER

A South Barrington businessman with close ties to Rosemont Mayor Donald E. Stephens and alleged links to organized crime was indicted Thursday on charges that he and a partner siphoned more than \$280,000 in insurance premiums, using a restaurant that operated right under Rosemont village board offices as part of the scheme.

The 15-count indictment named Stephens' former friend Nick S. Boscarino and Ralph E. Aulenta, of Inverness, who was president of American Business Insurance Agency of Illinois, which later became Acordia of Illinois. Boscarino also has been a hefty contributor to Gov. Ryan's campaigns.

For seven years ending in 1997, the men allegedly conspired in a scheme to skim money from ABI/Acordia, the insurance agency's

parent company, by creating sham transactions between ABI of Illinois, O.G. Service and Ribs restaurant.

Boscarino, 49, is an officer and shareholder of O.G. Service Corp., Eastern Service Inc., American Trade Show Services Inc. and of Skybox Inc., which operated Ribs in the Rosemont Village Hall, according to the indictment.

Boscarino and Aulenta, 60, allegedly took money from the insurance companies' trust fund account, which included premiums paid by Rosemont, and converted the money into checks payable to O.G. Service and Ribs; according to the indictment. The two men then invested the money during the boom years of the stock market and spun it into \$460,000, which they shared, the indictment said.

Although the indictment does not allege that Rosemont was damaged in the suit, the village filed a civil suit against Aulenta and Acordia of Illinois last month charging it was defrauded out of \$1 million over five years in connection with its liability insurance.

The suit caused Stephens to publicly break his tie with Boscarino,

his longtime family friend and business partner. Until then Stephens had been a staunch defender of Boscarino, who has been linked to organized crime by the Illinois Gaming Board.

Federal prosecutor Brian Netols would not comment Thursday on whether Stephens knew of the probe or if he was a target. Stephens was not available for comment.

The Gaming Board cited Boscarino's relations with organized crime as one of the reasons it rejected plans for a casino in Rosemont. In the past, Boscarino has denied any mob ties.

Neither Boscarino nor Aulenta could be reached for comment, but Aulenta's attorney, Thomas Breen, said, "It is our intention at this time to enter a plea of not guilty." Breen said he had not seen the indictment and had not discussed it with his client.

Boscarino, whose wife, Sheri, was an investor in the stalled Rosemont casino project, and his companies have donated \$31,900 to Ryan's campaigns.

If convicted, each man faces 195 years in prison and fines of \$5 million, prosecutors said.

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(Mount Clipping in Space Below)

Emerald Casino deal in works, reports say

Illinois Gaming Board administrator Philip Parenti has brokered a deal that could pave the way for Las Vegas casino giant MGM Mirage to buy out investors in a proposed Rosemont riverboat, according to published reports.

Parenti worked out a deal between MGM Mirage and Emerald Casino Inc. worth more than \$600 million, Crain's Chicago Business and the Las Vegas Sun reported.

Last year, the Gaming Board rejected Emerald's request to move its riverboat license from a shuttered boat in East Dubuque and build a riverboat in Rosemont, claiming the project had "insidious" ties to organized crime.

Gaming Board spokesman Gene O'Shea declined to comment Friday. Several lawyers for Emerald and the company's vice president, Joe McQuaid, did not return calls.

MGM spokesman Alan Feldman said he could not confirm reports of a deal. Feldman said MGM had agreed to hold off negotiations with Emerald until that company had settled any differences with the Gaming Board.

The Gaming Board voted 4-1 against renewing Emerald's license almost a year ago. The administrator at the time, Sergio Acosta, said top Emerald officials had lied to Gaming Board investigators and that some shareholders were linked to organized crime.

Emerald appealed to an administrative law judge and also filed a lawsuit against the board.

Four Gaming Board members have since been replaced, and Parenti said in October that he wanted to take a "fresh look" at the Emerald request.

AP

(Indicate page, name of
Newspaper, city and state)
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(Mount Clipping in Space Below)

Big player puts in bid for casino in Rosemont

MGM Mirage deal said to be brokered by gaming chief

By Ray Long
Tribune staff reporter

MGM Mirage Inc. has offered about \$615 million to buy out the owners of the company that has tried unsuccessfully to bring casino gambling to Rosemont, a deal brokered by the state's top gambling administrator, according to a source familiar with the negotiations.

A key element of the proposed merger is a \$160 million settlement that would be paid to the state to settle Emerald Casino's dispute with the State Gaming Board over the group's alleged indiscretions, the source said.

The proposal is aimed at putting Emerald Casino in the hands of a respected casino company, purging shareholders

of the Illinois-based casino group. The state board alleged two investors in that group had ties to organized crime and that top officials had made misleading statements to state regulators.

The settlement offer resulted from negotiations pushed by Gov. George Ryan's new Gaming Board administrator, Philip Parenti, and Emerald officials, who have been reluctant to pay a major fee to settle its disputes with the board.

State board approval could finally break the logjam that has blocked the introduction of riverboat gambling to Cook County, where Rosemont Mayor Donald Stephens has fought to bring a casino to his convention-rich city.

Approval of the deal would settle the two lawsuits and an administrative appeal now pending between the Emerald Casino and the Illinois Gaming

PLEASE SEE CASINO, PAGE 15

(Indicate page, name of Newspaper, city and state)
Pgs. 1&15 Sec.1
Tribune
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CASINO: Gaming foes angry about proposed deal

CONTINUED FROM PAGE 1

Board. But two other parties—California billionaire Marvin Davis and a group of Lake County investors—also have filed lawsuits challenging Emerald's right to hold the casino license.

The Davis suit in federal court alleges he was cheated out of a promised majority stake in the casino, raising questions about ownership of Emerald and whether the group has anything to sell.

Under terms of the settlement, MGM Mirage would assume Emerald's position in defending those lawsuits.

Gaming Board officials said they had no comment, and Emerald officials could not be

reached Saturday. An MGM Mirage spokesman also would not comment.

But gambling opponents were angered by what they saw as a backroom deal.

"When do you put a regulatory body in the backroom? The deal was made in a backroom in 1999 in Springfield, and they're trying to consummate it in a backroom in Chicago. What you've got is Monty Hall playing 'Let's Make a Deal,'" said Rev. Tom Grey, executive director of the National Coalition Against Legalized Gambling.

It is unclear how much money the Emerald shareholders would make from the sale, although it is expected to be a considerable sum.

It is also unclear whether the windfall would extend to Nick Boscarino, one of the Emerald investors whom the Gaming Board identified as having ties to organized crime. Boscarino was indicted Thursday on charges he and an insurance broker stole nearly \$300,000 as part of a seven-year insurance scam.

The new offer creates a poten-

tial windfall for minority and female shareholders, who by law have to hold 20 percent of the casino. Under the MGM Mirage offer, minority and women shareholders would have an opportunity to buy back in.

Even after the state takes its



Parenti

\$160 million for the settlement, minority shareholders would be able to divide about \$91 million, or 20 percent of the remaining \$455 million. One

key source said that after sub-

tracting their initial \$30 million investment and capital gains taxes, the minority investors could clear an estimated \$48 million.

On Saturday, Democratic attorney general candidate John Schmidt called the new offer "totally indefensible" and maintained he would seek to block it if elected, saying it represents a "gross abuse of the public trust."

If the deal is finalized, the \$160

million settlement with the state will likely be viewed as its breakthrough ingredient.

In January 2001, the Illinois Gaming Board rejected Emerald's bid for a license, contending Emerald officials provided false information to regulators, contracted with a mob-related vendor and sold shares to two investors with alleged ties to organized crime.

The board also yanked the moribund license Emerald had held in running a now-defunct casino in East Dubuque. The group was trying to turn that license into the permit to run a casino in Rosemont.

The rejection came when Sergio Acosta was the Gaming Board's administrator. Acosta charged that organized crime interests, including Boscarino, were associated with the Rosemont project. Acosta also said casino owner Donald Flynn, a former Waste Management executive, and his son, Kevin, Emerald Casino's chief executive officer, repeatedly made false and misleading statements to the board over the course of a 16-month investigation.

Acosta resigned in August, and Parenti began as Gaming Board administrator in November. Only Gaming Board Chairman Gregory Jones remains from the board that voted 12 months ago to revoke Emerald's gambling license.

Back in July, MGM Mirage revealed it was aggressively pursuing a buyout of investors trying to open the stalled Emerald casino project in Rosemont. But the Gaming Board quickly issued a statement saying that process was unacceptable and provided little hope that the state's gambling regulators would give the go-ahead.

Stephens has worked since then to resurrect the stalled Rosemont casino plan, including moving to sever ties to Boscarino, who had been the mayor's longtime business associate.

Emerald assembled its group of minority and female investors after the legislature approved a law in 1999 allowing the company to move its license from East Dubuque to Rosemont. The law, championed by Stephens, included a proviso

that 20 percent of the owners had to be minority and female investors.

To satisfy that provision, MGM Mirage would offer Emerald's minority and female investors, including retired car dealer Al Johnson and Walter Payton's widow, Connie, a chance to buy their shares back for the price MGM Mirage paid for them minus \$12 million to cover capital gains taxes.

Even after the nation's economy was sent reeling by the Sept. 11 terrorist attacks, putting a damper on air travel to Las Vegas, the riverboat gambling industry in Illinois has thrived.

Through November, Illinois casinos earned \$93 million more than they had during the same period in 2000, a 6 percent increase. Revenues in September and October rose 3 percent. Those numbers have underscored the value of the Rosemont license, which is expected to generate hundreds of millions of dollars a year.

Tribune staff reporter Michael Higgins contributed to this report.

(Mount Clipping in Space Below)

You knew Rosemont would get this casino

*Deal enriches new and
former owners while leaving
state with pocket change*

It's baaack.

You knew it would be.
The proposed Rosemont casino was never
going to go quietly into that good night as long
as Mayor Don Stephens was on the scene.

Now there's word that the state's top gam-
bling administrator is close to reviv-
ing the project by brokering a deal
to allow the would-be casino owners
to sell the license that the state pre-
viously declared to be forfeit.

Are you following this?

We, the people, would allow
them to sell something that we've
already ruled they don't own.

Not only would the owners of the
Emerald Casino recover their in-
vestment in the Rosemont riverboat
project, but it appears they would
be allowed to make a windfall
profit, too. How thoughtful of us.

You may recall that this is the
same well-heeled ownership group
that was denied the license because two of the
shareholders have alleged ties to organized crime
and because the casino company's top officials
allegedly lied to state regulators about how
Rosemont was selected to be the casino site.

Of course, that was then. This is now.

Four of the five members of the Illinois
Gaming Board have been replaced since it
voted last year to deny Emerald's application
to put a riverboat in Rosemont. The leading
antagonist of the Rosemont project, board ad-
ministrator Sergio Acosta, also left the agency
to return to the U.S. attorney's office.

His replacement, Philip Parenti, has been try-
ing to work out a settlement that would make
everybody happy in keeping with the spirit of
the Rosemont casino deal, which from its start
in the Illinois Legislature, has been one Big Fix



Mark
BROWN

(Indicate page, name of
Newspaper, city and state)

Pg. 2
Sun-Times
Chicago, IL

Date: 1/22/2001
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Title: You knew Rosemont would
get this casino

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based on the concept of spreading enough money around to as many places as possible.

There's even a piece for you this time, at least in a theoretical sort of way that is supposed to be good enough to keep you quiet so that the big boys can take their money and run.

Under the deal, MGM Mirage Inc. would pay \$615 million to buy out the Emerald group. MGM Mirage would still build the casino in Rosemont, but we are supposed to feel more confident that everything is on the square because MGM Mirage is a big publicly traded company.

So what do we get out of this?

Well, about \$160 million of the \$615 million would be paid to the state of Illinois to "settle" the dispute between the Gaming Board and Emerald.

This would head off a protracted hearing before an administrative law judge that is scheduled to start May 1. The administrative proceeding would probably be followed by a court fight that could take years.

Gaming Board officials have never expressed any doubt about the strength of their case, but the thinking goes that if they settle

now, Gov. Ryan can get the \$160 million immediately to help patch the hole in this year's state budget and soon they will start receiving annual tax revenue from the Rosemont boat. This overlooks the fact that a good argument could be made that we ought to receive the entire \$615 million; maybe more.

According to a story in our paper today, there's also some nonsense in the deal about \$5 million going to a fund for counseling compulsive gamblers and \$3 million for more intensive state regulatory oversight of the Rosemont boat. Strangely enough, the \$3 million would come out of our annual tax share, as if the riverboats were already overtaxed.

Let's look at this, folks.

They're going to put the casino in Rosemont. Rosemont is controlled lock, stock and barrel by Stephens.

Gaming Board prepared to give high level of scrutiny to deal; Page 11

It's a company town, and the village government is the company. Its main subsidiaries are the Allstate Arena, the Rosemont Theatre and the Donald E. Stephens Convention Center.

Stephens controls all the contracts for these lucrative government-operated businesses.

The village pays millions of dollars annually to Bomark Inc., a company whose president is his son, Mark Stephens. Bomark has contracts for cleaning and to supervise parking at the various facilities. In addition, the mayor's wife, Katherine Murphy, owns an interior decorating firm that has been paid more than \$1 million by the village over the last three years. There's undoubtedly more.

Even if you take Stephens at his word that he doesn't want any of his family to do business with the casino, it is clear that the main function of a casino in Rosemont would be to ensure the continued success of the town's other entertainment holdings, which Stephens and his family have used to get rich.

Then you have the matter of Nick Boscarino. Boscarino is a longtime business partner of Stephens. He also is one of the casino investors that the Gaming Board cited for having mob connections. Last week, he was indicted for stealing some \$300,000 in an insurance scam involving Rosemont.

In a hilarious performance last month after he foresaw the prospect of Boscarino's problems queering his deal, Stephens dramatically announced: "Today, I walk away from Nick Boscarino, as I said I would if anyone showed me he did something wrong."

Too late, Don. We're not that stupid.

So now they think they can buy us off for \$160 million.

I did the math. If you divide that by the population of Illinois, 12,419,293; that works out to just under \$13 per person.

I don't know about you, but I can't be bought for \$13.

E-mail: markbrown@suntimes.com

(Mount Clipping in Space Below)

MGM goes under microscope

Gaming Board plans to keep Rosemont deal 'squeaky clean'

By FRAN SPIELMAN
CITY HALL REPORTER

The Illinois Gaming Board is prepared to impose an unprecedented level of scrutiny on MGM Mirage Inc. as part of a \$615 million deal that would bring riverboat gambling to Rosemont and a \$160 million cash infusion to the state budget, sources said Monday.

MGM Mirage CEO John Redmond is prepared to fly to Illinois at a moment's notice to answer the Gaming Board's questions about the Las Vegas gaming giant's plan to buy out the father-son team of Donald and Kevin Flynn and other politically connected owners of Emerald Casino Inc.

Brokered by Gaming Board administrator Philip Parenti, the deal is expected to be discussed in executive session today, with a final vote put off until next month.

The \$160 million is thought to be the largest cash settlement ever received by a gaming jurisdiction in the United States. The state plans to use \$5 million of that money to establish a fund for compulsive gamblers.

Last year, the Gaming Board rejected Emerald on grounds that

company officials provided false information to regulators, contracted with a mob-connected vendor and sold shares to a pair of investors with alleged ties to organized crime.

To prevent unsavory elements from souring the deal this time, sources said the board is prepared to demand that \$3 million of the \$100 million in gaming tax revenues generated by the Rosemont project be taken off the top to finance another layer of regulation.

More accountants, attorneys and investigators would be hired by the Gaming Board to conduct audits and oversee operations of the Rosemont casino. MGM Mirage would be empowered to fire existing vendors, but replacements would need Gaming Board approval. Minority investors offered the opportunity to buy back into the deal also would need Gaming Board approval, no matter how small a share they purchased.

"If MGM were to hire some company that was related to [Rosemont Mayor Donald] Stephens or some City Council trustee, we'd have to first clear it with the Gaming Board," said a source close to MGM Mirage.

"There's been all this talk about how the Flynns were bad people who lied and that Rosemont is a hotbed of criminal activity. This will put those allegations to rest and assure everybody that the deal is squeaky clean."

By law, minority investors hold 20 percent of the Rosemont casino. They are expected to divide \$90 million before taxes, tripling their original investment.

MGM Mirage then will review each of the minority and female shareholders and, based on the findings, offer them a chance to buy back into the deal.

Retired car dealer Al Johnson, one of the minority investors, said he has no interest in cashing out.

"This was a dream that Walter Payton and a few others had. We were out there seven years ago. We spent over \$500,000 pursuing opportunities to get a [minority-owned] casino," Johnson said.

"Walter isn't here now. He died before the dream even took shape. But, I don't think there'll be many of our group who are going to cash out. The feeling all along is not looking for a quick profit but to be involved in a profitable business."

Connie Payton, widow of the Bears Hall of Fame running back, said she has not decided whether to take the money and run.

Minorities involved in the ill-fated Rosemont deal were "good, innocent people who took their savings and invested in this thing, thinking it was a sure deal, and it's just been one negative thing after another," she said.

"Walter didn't get into this thing to lose money. . . . Even if I just get the money my late husband invested, that's fine with me."

(Indicate page, name of Newspaper, city and state)
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Chicago, IL

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(Mount Clipping in Space Below)

CHICAGO

Rosemont mayor's ally pleads not guilty

A former business partner and close friend of Rosemont Mayor Donald Stephens pleaded not guilty Wednesday in federal court to money laundering, conspiracy and wire fraud charges. siphoning \$288,670 in insurance premiums paid by Rosemont to Aulenta's brokerage firm. Aulenta could be arraigned next week.

After the court appearance, Nick S. Boscarino, 49, was released on a \$150,000 bond secured by his residence in Barrington, according to Assistant U.S. Atty. Brian Netols. Last month Stephens said he was severing business ties with Boscarino after federal agents questioned the mayor about the insurance scam. Stephens and Boscarino co-owned American Trade Show Services, a forklift leasing company that was one of the companies involved in the scheme.

An indictment last week accused Boscarino and Ralph E. Aulenta, an insurance broker, of

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(Mount Clipping in Space Below)

U.S. jury demands casino records

Gaming Board told to turn in files on Rosemont project

By Douglas Holt
Tribune staff reporter

Federal agents have served the Illinois Gaming Board with a wide-ranging subpoena demanding all records on the troubled Emerald Casino, which a politically connected investor group has been trying to open in Rosemont.

The subpoena, a copy of which was obtained by the Tribune through the Freedom of Information Act, was served on the board Tuesday. Just days earlier, it was learned that board officials were trying to jump-start the stalled Rosemont project by brokering a \$615 million deal to have MGM Mirage Inc., a big Las Vegas casino operator, buy out the Emerald group.

The board last year found the Emerald group unfit to run a casino in the state, alleging that two investors had mob ties and its principals misled regulators. But the Emerald group is appealing that decision, and most of the board members and a key staffer who participated in the rejection have been replaced by Gov. George Ryan.

Two of the five members of the gaming panel declined to comment on the subpoena, and the rest could not be reached.

But board spokesman Gene O'Shea said the panel would comply with the subpoena, which orders the agency to hand over "any and all documents and records, in any form, relating in any way to a proposed casino in Rosemont" to a federal grand jury on Thursday.

The board will "work hand in hand with any federal agency investigating anything within the jurisdiction of the Gaming Board," O'Shea said.

Though it was unclear why prosecutors sought the documents, any federal probe could complicate efforts to approve a deal between MGM and Emerald, whose investors stand to make significant profits despite

PLEASE SEE CASINO, PAGE 15

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CASINO: Subpoena seeks files on project site

CONTINUED FROM PAGE 1

the problems they have had.

While casting a wide net for documents, the subpoena specifically asks for all records related to the land abutting Interstate Highway 294 on which the Emerald group planned to build the casino.

The land was bought by Rosemont in the last few years from several blind trusts, and the village planned to lease it to the casino for \$1.5 million a year.

The village in the past has declined to identify the owners of the trusts, and Gaming Board sources said regulators have had difficulty piercing the veil of secrecy.

On Friday, Rosemont attorney Peter Rosenthal said he has been authorized to make available "all the records we provided to the Gaming Board relating to the ownership of the land."

The records will show that since the 1960s, the land has been in the hands of "well-known real estate people," Rosenthal said. "If anybody wants to raise the inference, for example, that [Rosemont Mayor Donald Stephens] or a member of his family had an interest in that land, it's not there. We're willing to show that."

Records on investor sought

The subpoena also asks for all records related to one of the Emerald investors, Nick S. Boscarino, his wife, Sherri, and a trust they control that is listed as an Emerald shareholder. The board last year accused Nick Boscarino of having ties to organized crime.

Boscarino, who until recently had been a longtime business partner and friend of Stephens', was indicted last week on federal charges accusing him of defrauding the village's former insurance carrier.

Boscarino pleaded not guilty to the money laundering, conspiracy and wire-fraud charges, which included allegations that a company Boscarino co-owned with Stephens was involved in the scheme.

A lawyer for Boscarino declined to comment on the subpoena Friday.

But criminal law experts said that because the subpoena was delivered after Boscarino's indictment, prosecutors are clearly extending their scrutiny beyond him.

Though the Rosemont casino has been in limbo since last year's board vote, it has gained fresh momentum after the resignation last summer of the board's administrator, Sergio Acosta, who had argued vehemently to reject Emerald. Acosta was replaced by Philip Parenti as administrator, and Parenti quickly began closed-door negotiations to bring MGM and Emerald together.

Sources familiar with the talks said MGM has offered to buy out Emerald for \$615 million, but \$160 million of that would then be turned over to the state as a fine to punish the Emerald group, headed by former Waste Management Inc. executive Donald Flynn, for alleged misconduct.

\$70 million already spent

The proposed settlement would net the casino owners more than six times what they and the village have spent on the casino so far. According to an Emerald casino news release last May, Emerald investors and Rosemont jointly had spent about \$70 million to begin construction of the casino—work begun without the state's permission and suspended under threat of sanctions by the board.

The Emerald group is controlled by Flynn, his son, Kevin, and other family members who collectively own at least 52 percent of the company's stock, said several sources familiar with the group's structure. Under the proposed settlement, the Flynn family could be in line to receive \$236 million.

Boscarino holds a 1 percent share in the investment group, which he bought in 1999 for \$1.5 million, the sources said. Under the deal, he could receive \$4.5 million.

Other shareholders brought on since 1999 include the wife of Timothy Degan, a former top aide to Chicago Mayor Richard M. Daley; John M. Sisto, nephew of state Rep. Ralph Capparelli (D-Chicago), a key casino backer; and Susan A. Leonis, a close friend of Stephens' who is a lobbyist for Rosemont.

(Mount Clipping in Space Below)

Casino wields carrot and stick

State given choice:
Benefit or litigate

By Douglas Holt
and Karen Rivedal
Tribune staff reporters

An Emerald Casino lawyer said Saturday that state officials have two choices concerning the casino proposed for Rosemont: Either accept a settlement entitling the current ownership group to hundreds of millions of dollars, or look forward to years of expensive litigation.

"If this whole process had to be worked out in the courts and the administrative hearing and in the Appellate Court, and perhaps again in the legislature, we're talking a lot of money and a lot of time," Emerald lawyer C. Barry Montgomery said. "We're talking five, six or seven years."

On the other hand, he said, the state stands to gain a \$160 million fine plus \$125 million a year in tax revenue from a casino that could be up and running in six months.

When pressed, Montgomery acknowledged that because of a 1999 state law, more than \$60 million of the state's annual revenue from the Rosemont casino would be diverted as a subsidy to the horse racing industry. Racing lobbyists persuaded legislators to agree to that in exchange for allowing a casino

PLEASE SEE CASINO, PAGE 3

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CASINO:

Lawyer, state say little over U.S. subpoena

CONTINUED FROM PAGE 1

in Cook County.

And in a new twist on the proposed \$600 million-plus buyout by Las Vegas-based MGM Mirage Inc., Montgomery said all previous contracts with Rosemont would be canceled.

"The Gaming Board would have complete control over any new contracts," he said.

Emerald Casino officials had signed a 120-page contract with Rosemont promising the village \$1.5 million a year in land lease payments, \$4 million a year for tourism and economic development funds controlled by Mayor Donald Stephens, and even an antique car museum.

Montgomery and Illinois Gaming Board officials had little to say about a federal grand jury subpoena issued last week demanding all records connected to the proposed casino.

"I'm hoping that it doesn't have an impact, because it doesn't relate as I view it to the settlement as we're discussing," Montgomery said.

One board member, Elzie Higginbottom, couldn't say whether the federal probe would slow the settlement talks. "The federal government is doing its job, and if it finds wrongdoing, it will seek appropriate remedies," he said. "That's got nothing to do with me."

Other board members either could not be reached or declined to comment. Gaming Board Administrator Philip Parenti, who has said he's been working feverishly on the Rosemont casino issue since his appointment to the job less than three months ago, also could not be reached.

Gov. George Ryan, who spoke with reporters at Meigs Field on his return from a three-day trade trip to Cuba, said he hadn't seen "anything official" about the MGM Mirage offer and couldn't say whether he would support it.

But Ryan said a timely resolution of the casino question was important because the delay in awarding a new casino license is hurting state coffers.

"The state has been losing between \$150 million to \$200 million a year for each of the past two or three years," he said.

Ryan said board officials would cooperate with the federal grand jury subpoena and "do whatever they have to do" to answer investigators' questions.

Under the buyout proposal revealed more than a week ago, \$160 million would go to the state as a fine. The remainder of the money, which Montgomery said would be \$440 million or more, would go to the Emerald ownership group headed by former Waste Management executive Donald Flynn.

The Gaming Board is scheduled to discuss the proposal in a closed-door session Monday. Two top officials of Atty. Gen. Jim Ryan's office were asked by board officials to attend: Roger Flahaven, chief of the civil litigation division, and Carole Doris, chief deputy attorney general, who heads the office's criminal and civil divisions.

The attorney general's office is defending the board's decision last year to reject a casino license for the Emerald in Cook County Circuit Court and in an administrative hearing. Jim Ryan also is a candidate in the Republican primary for governor, and his campaign has expressed opposition to the proposed settlement.

Officials from Jim Ryan's office have not yet determined whether they would have to approve any casino buyout. "We're looking at that question," Ryan spokesman Dan Curry said.

(Mount Clipping in Space Below)

EDITORIALS

Emerald's audacious ploy

Sunday's Tribune carried new information about a shameful and secret deal to shower hundreds of millions of dollars on Emerald Casino investors.

That proposed deal is a preposterous ploy to enrich the investors, some of whom already ruined one casino, allegedly lied repeatedly to the Illinois Gaming Board, and allegedly have mob ties. Now a lawyer who represents the investors says state officials, and by extension Illinois taxpayers, should let his politically connected clients collect millions from the proposed deal—or risk years of litigation to keep anyone else from opening a casino in Rosemont. In other words, if the investors can't grab hundreds of millions that should go to the state now, they may deprive the state of other hundreds of millions in casino revenues while legal action drags out in court.

This is an offer state officials must refuse.

Remember, these are investors for whom state legislators, in their infinite wisdom, wrote a special law that all but guaranteed them the exclusive right to open a casino in suburban Rosemont. Now those investors are exploiting their early advantage to claim they should collect millions, in effect because their partnership allegedly lied and played footsie with mobsters.

This bluster comes from a badly weakened group that last year was refused state permission to open a casino in Rosemont—and has no immediate prospect of winning the right to ever open a casino. In fact, unless state government takes leave of its senses and accepts this bad deal, the investors have little prospect of anything beyond cuddling up with their lawyers for years in the hope that the courts will someday accept their self-delusions of strength as fact.

On Monday the Illinois Gaming Board will

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again meet in secret—which is getting to be a habit—to discuss the deal. MGM Mirage Inc., a Las Vegas company, would pay \$615 million to buy out Emerald. The state would get a mere \$160 million of that, with the rest—an amount far more than their original stakes—going to Emerald's investors. In return, Emerald would drop its legal efforts to revive its Rosemont casino bid.

Last week this page described that proposal as a rip-off of Illinois taxpayers, and suggested that allowing investors to walk away with their original stakes would be more than enough compensation for dropping their legal action. The Emerald crowd would get something investors in other failing businesses rarely get: their money back. The bulk of the MGM Mirage payment instead would go to the state, and Illinois would be free to license a new casino in Rosemont.

But that evidently isn't good enough for the Emerald crowd. Their offer of \$160 million during a tough budget year asks the state to sell itself out. Even if the state were foolish enough to accept such a bad deal, it would take many years of casino tax revenues to retrieve the hundreds of millions the state would have to forgo now.

Last week, federal agents startled the state Gaming Board with a wide-ranging subpoena that demands all records on Emerald's planned casino. With the feds now on the case, insiders and public officials who've played roles in this get-rich-quick scheme may be in for far more discomfort than they ever envisioned. That frantic ringing you hear is the sound of telephones in the offices of defense attorneys for hire.

Time will tell if the increasingly cornered investors turn up their noses at getting their original stakes back. Maybe they'll continue to go for broke. Maybe broke is what they deserve.

(Mount Clipping in Space Below)

2 on board question casino deal

*Opposition, federal
subpoena may jeopardize
MGM Rosemont project*

By CHRIS FUSCO
STAFF REPORTER

A deal that would allow MGM Mirage Inc. to rescue a stalled casino project in Rosemont and get it up and running in just six months is getting a chilly reception from at least two of the five Illinois Gaming Board members who would vote on it, the Chicago Sun-Times has learned.

That—plus the board's weekend disclosure that federal agents have subpoenaed all its records about the casino—has some casino investors on edge, and gambling opponents salivating, because only three votes would be needed to kill the proposed sale.

Casino foes late last year were accusing Gov. Ryan of appointing four new gambling regulators who would wipe out an earlier rejection of the project and revive it as a favor to several politically connected casino investors, as well as Rosemont Mayor Donald E. Stephens, Ryan's longtime friend who has sought a casino in his convention-hub suburb for years.

But now one of those recently named regulators, former Dominick's CEO Robert Mariano, is joining board Chairman Gregory Jones in voicing serious questions about MGM's \$600 million-plus offer to buy Emerald Casino Inc., knowledgeable sources on the proposal said.

The deal would include a \$160 million pay-out to the state in exchange for it dropping its opposition to gambling in Rose-

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Robert Mariano



Gregory C. Jones

Have concerns, sources say

mont. It is expected to be discussed again today during a closed-session board meeting in the Loop. A vote is not on the agenda, and members declined to comment or could not be reached.

"This was such a bad deal that anyone that comes on and looks at it would be hard-pressed to do the bidding of the governor," said the Rev. Tom Grey, president of the National Coalition Against Legalized Gambling. "Now, with the [federal] grand jury looking at it, the three votes that are supposed to be 'yes' votes ought to reconsider whether they want to entangle themselves in something that could have legal consequences for the participants."

Citing alleged mob ties and lies by Emerald's top executives, the Gaming Board rejected Emerald's Rosemont casino plans a year ago this week and also revoked its casino license—actions Emerald responded to by filing suit against the state.

But only one board member involved in last January's vote, Jones, remains. And the board's top employee who opposed Emer-

ald, Administrator Sergio Acosta, left in September to work in the same U.S. Attorney's office now demanding the state's records on Emerald.

Ryan vehemently has denied he's attempting to sway the board with his appointments. Two of the four members he's named—developer Elzie Higginbottom and Mariano—each have had business associations with two of Emerald's 61 investors. A third, lobbyist Ira Rogal, represented gambling clients before joining the board. All have denied any conflicts of interest.

MGM and Emerald are hoping the board will see the settlement as in the state's best interest. Both parties believe it would take about five years for a legal battle between Emerald and the Gaming Board to play out, costing the state an estimated \$785 million in gambling taxes the Rosemont casino would churn out.

"In order to resolve the disagreements between various parties, and in order to move forward with providing jobs and tax revenues for the state, the only way to do that is through an agreement such as that which is being proposed," said Alan Feldman, an MGM senior vice president. "The alternative is going to be years of litigation during which . . . the state will receive no tangible benefits."

"If the casino is in Rosemont, it could be up and running in good shape in six months," said C. Barry Montgomery, an attorney representing Emerald. "The infrastructure . . . is already in place."

"I think cooler, smarter heads will prevail."

Montgomery also clarified current Gaming Board Administrator Philip Parenti's role in the settlement talks.

"He has not been brought in by the governor to do a deal—that implication is false,"

Montgomery said. "Emerald has been sharing information with Phil Parenti, who has been sharing it with the board."

MGM, Montgomery added, would cancel all existing construction contracts at the casino site in response to the board's concern that a mob-tied contractor was working there. Also, only black, Hispanic and female shareholders that are part of the state's 20 percent minority ownership requirement for the casino would be allowed to buy back in.

Two other lawsuits hanging over the casino—one filed by a group of potential Lake County casino developers that challenges the constitutionality of the state law that opened Rosemont to gambling; the other that alleges Emerald cheated California billionaire Marvin Davis out of a 37 percent ownership stake—would not affect the proposed sale but would need to be handled as the courts see fit, Montgomery said. He did not rule out settlement talks with either party.

As for the wide-ranging federal subpoena of Emerald's records, Montgomery said he was confident it would not have "any detrimental effect" on the Gaming Board's deliberations. He guessed that prosecutors might use the records as part of their investigation of Nick Boscarino, who was recently indicted in an insurance scam involving Rosemont. The Gaming Board last year accused Boscarino of being linked to organized crime. It was investigating him because his wife, Sherri, was an investor in Emerald through a trust.

Gaming Board spokesman Gene O'Shea declined to comment on the subpoena's effect on the board's deliberations. It got the document last Tuesday, and officials have pledged to work "hand in hand with any federal agency investigating anything within the jurisdiction of the Gaming Board," he said.

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Casino groups vow to fight

Suits complicate MGM Mirage bid for Rosemont site

By Michael Higgins
Tribune staff reporter

Two investor groups, including one led by California billionaire Marvin Davis, say they will continue their legal fight for a share of the proposed Rosemont casino, despite a deal brokered by the state's top gambling administrator that would allow a Las Vegas company to buy the rights to the stalled project.

Under the deal brokered by Philip Parenti, Gov. George Ryan's new Illinois Gaming Board administrator, MGM Mirage Inc. has offered about \$615 million to buy out Emerald Casino, the company that has tried unsuccessfully to bring casino gambling to Rosemont, according to a source familiar with the negotiations.

The source said MGM Mirage would defend Emerald Casino's position in lawsuits brought by Davis' group and Lake County Riverboat, another investment group.

Davis says that Donald and Kevin Flynn, whose family owns the majority of Emerald Casino, promised him 37½ percent of the casino in a 1999 oral agreement.

The Davis suit, which is pending in federal court in Chicago, has the potential to complicate any deal to jump-start Emerald Casino because it raises doubts about how much Emerald's owners have to sell.

Also not backing down is Lake County Riverboat, which has been trying to wrestle the state's only remaining gambling license away from Emerald Casino and build a riverboat in Fox Lake.

Lake County Riverboat's lead investor, Glenn Seidenfeld, said Monday that his group will continue to argue in court that the 1999 state gambling law that cleared the way for the casino in

Rosemont is unconstitutional. A Cook County circuit judge ruled last year that Lake County Riverboat had no legal right to sue, and the group has appealed.

The deal brokered by Parenti calls for MGM Mirage to pay a \$160 million settlement to the state to end the dispute between Emerald Casino and the Gaming Board, the source familiar with the deal said. The board revoked Emerald Casino's gambling license in January, alleging that its top officials lied to board investigators and two of the group's investors had ties to organized crime.

The five-member Gaming Board would have to approve any deal. The deal with MGM Mirage would not resolve the lawsuits filed by either Davis or Lake County Riverboat.

Emerald Casino officials could not be reached Monday. MGM Mirage would not comment, and Rosemont officials could not be reached.

Davis says he agreed to buy his share in Emerald Casino for \$12 million and help with lobby-

ing to pass the 1999 law.

Davis' attorney, Joel Chefitz of Chicago, said Monday that Davis wasn't necessarily opposed to the buyout deal, provided that he ended up with the share he was promised. "For all I know, Mr. Davis would be perfectly happy to have MGM as a partner," he said.

The Lake County group's lawsuit attacked the gambling law because it handed Emerald Casino, which had owned a riverboat near Galena that failed, and its politically connected investors the right to build in Rosemont, a lucrative market.

They argued that the law singled out one company for a particular benefit and therefore was unconstitutional "special legislation."

But Seidenfeld said Monday that if a deal could be reached that would allow his investor group to buy into the project, that might resolve his complaints about the law.

Tribune staff reporter Douglas Holt contributed to this report.

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WEDNESDAY

TRIBWEST

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SECTION 2

CHICAGO TRIBUNE

9

REGION & STATE

Gaming chief pushes buyout

Panel won't give up on a Rosemont deal, Parenti says

By Douglas Holt
Tribune staff reporter

Undaunted by a federal investigation or a barrage of political criticism, Illinois Gaming Board Administrator Philip C. Parenti vowed Tuesday to continue efforts to strike a deal with Rosemont casino backers.

"The Gaming Board's trying to do its job," Parenti told reporters after a Chicago meeting Tuesday. "It's not going to be deterred by any subpoenas, and it's not going to be deterred by any politics. Nothing like that is going to have a chilling effect on the mission of the board to do what's right."

Since his appointment three months ago, Parenti has made a

top priority of reaching a deal with Emerald Casino Inc., which was found unfit to hold a gambling license last year because top officials allegedly lied to state regulators, sold casino shares to two people with alleged mob ties and hired a mob-connected waste hauler.

Parenti has orchestrated negotiations over a proposal pushed by Donald Flynn, a former Waste Management executive who headed Emerald Casino's investor group, and his son, Kevin, Emerald's CEO. That deal would allow Las Vegas-based MGM Mirage Inc. to buy Emerald's contested license for \$615 million.

More than \$450 million would go to the investors and \$160 million would go to Illinois to settle the legal battles over the board's refusal to grant a casino license.

Shortly after the proposal was publicized last month, federal authorities issued a subpoena demanding all records connect-

ed to the casino.

The proposal has become an issue in the race for governor, with all six candidates voicing opposition to allowing Emerald owners to reap a windfall from such a settlement. A recent Tribune/WGN poll showed voters oppose the casino bailout 2-1.

Atty. Gen. Jim Ryan, a Republican candidate for governor, said his office would consider taking action to block a settlement if the Gaming Board approved it.

"There are legal options that we've researched that he would strongly consider employing if the board would proceed with the sale," Ryan spokesman Dan Curry said Tuesday.

Parenti, a former criminal defense lawyer and prosecutor, said he was uncertain of whether Ryan's office had such powers. "We have certain special assistant attorneys general working on the case, but that doesn't mean the attorney general nec-

essarily has the legal authority to approve or block any settlement," he said.

Parenti said state and local governments are losing \$150 million a year in tax revenues because of the delay.

Meanwhile, Emerald shareholder Al Johnson, who attended the Gaming Board meeting, said he hoped a settlement offer made by 21 minority shareholders, including himself, would gain support. His group wants to sell to MGM without a profit, leaving a potential \$500 million windfall for the state.

Johnson, who bought shares as part of legislation requiring that 20 percent of the casino's ownership be women and minorities, expressed shock at the casino's continuing woes.

"If the state legislature thought it was necessary to include local buyers, we felt pretty secure," he said. "This is not some corner business. I've never been in a mess like this."

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(Mount Clipping in Space Below)

Stephens seeks cap on casino cash for horse tracks

BY CHRIS FUSCO
STAFF REPORTER

One of the state's powerful politicians, Senate President James "Pate" Philip, sounds warm to Rosemont Mayor Donald E. Stephens' idea to cap the amount of money the horse-racing industry could get from a proposed casino in the suburb.

"Pate says he didn't know these facts," Stephens told the Chicago Sun-Times editorial board Wednesday, outlining his case that horse racing would get three times more money from the casino than law-

makers intended. "He said he absolutely thinks there's got to be a cap."

Patty Schuh, a spokeswoman for Philip (R-Wood Dale), said her boss is interested in the cap but that Stephens was overstating things. "Mayor Stephens made a very compelling pitch to Sen. Philip," which he is considering, she said.

Gov. Ryan and other lawmakers reacted similarly to Stephens' assertion that they support his pitch to fix "a mistake" in a

1999 law that allows a casino in Rosemont. Horse-racing lobbyists, Stephens said, guaranteed their industry's share would be 15 percent of state tax revenue from the casino, giving them no more than \$25 million. But the law calls for the industry to get 15 percent of the casino's gross revenues. If the casino took in \$450 million, that would be \$67.5 million a year—an amount Stephens finds unreasonable because it would be double what the state's general revenue

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pg.13

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fund would get.

Horse-racing lobbyists have denied any trickery. So far, horse racing has gotten no money because the Illinois Gaming Board has rejected Emerald Casino's Rosemont plans.

But that didn't stop what Stephens described as a heated exchange between him and Arlington Park Chairman Richard L. Duchossois during a recent lunch.

Stephens has been credited with helping get the 1999 gambling law passed. Duchossois kept a low profile, as his past lobbying efforts to help his Arlington Heights track had enraged some in Springfield.

"I said, 'Dick, how old are you?' and he said, 'I'm 80. Why?'" Stephens said. "I said, 'What in the fun . . . do you want more money

for?' And he said, 'Mayor, if I had your money, I'd give mine away.'

"And I looked at him . . . and I said, 'Dick you're full of s---.' That was lunch."

Stephens said Ryan and House Speaker Michael Madigan (D-Chicago) also support capping what the horse-racing industry could get from the proposed casino.

Spokesmen for Ryan and Madigan confirmed the talks with Stephens, but they didn't pledge support for a cap just yet.

"This kind of suggestion came up when the original bill came up three years ago, and the Legislature at that time rejected a cap," Ryan spokesman Dennis Culloton said. "We'll see what the General Assembly thinks of it."

(Mount Clipping in Space Below)

Gaming Board gets subpoena

**2nd in 2 months;
U.S. probes bid
to buy out casino**

By Douglas Holt
Tribune staff reporter

For the second time in two months, federal authorities have subpoenaed records from the Illinois Gaming Board about the troubled Emerald Casino proposed for Rosemont, this time focusing

on a failed \$615 million buyout by MGM Mirage Inc.

The subpoena dated March 12 also demands cellular and office telephone records for the Gaming Board's new top administrator, Philip C. Parenti, and the board's chief legal counsel, Mark Ostrowski, sources said. The telephone records sought are from Parenti's first day on the job, Nov. 16, to the present.

FBI agents last week spent more than two hours interviewing Parenti, Ostrowski and other staff members in the

board's Chicago office about the Rosemont casino, sources said.

Parenti and Ostrowski declined to comment Tuesday, as did spokespersons for the FBI and U.S. Atty. Patrick J. Fitzgerald.

While a subpoena in January had been characterized by Parenti as a narrow effort to collect information on one casino shareholder with alleged mob ties, the new subpoena casts a wider net.

Federal investigators ordered the board to turn over

"any and all" internal memos since Parenti took over that reflect contacts between Gaming Board personnel and any representatives of Emerald, Las Vegas-based MGM-Mirage and Rosemont.

The subpoena also seeks internal security logs on visitors to the Gaming Board's offices, along with any notes, transcripts and minutes to Gaming Board executive sessions since Parenti has been administrator.

The documents are to be delivered to the grand jury that meets Thursday, according to the subpoena.

Last Friday—10 days after the subpoena was issued—the Gaming Board announced it had rejected MGM-Mirage's offer to buy the Emerald. The board is expected to explain its decision at a meeting Wednesday.

But the federal investigation may put a chill on any new ideas to reach a settlement on the Emerald license, a board member said.

PLEASE SEE CASINO, PAGE 5

(Indicate page, name of
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CASINO: State board rejected buyout offer

CONTINUED FROM PAGE 1

"It slows things down because you don't anticipate what they're looking for," said Tobias Barry. "We don't have the faintest idea where they're going. So out of caution you play it safe, that's my thought."

Parenti has been a major booster of MGM's offer that would settle the stalemate over the stalled casino, sending a \$160 million payment to the state and \$455 million to Emerald's owners.

The proposal has been controversial because of the millions that would go to a group that allegedly lied to casino regulators and sold shares to two people with alleged mob connections.

Gubernatorial candidates Rod Blagojevich and Jim Ryan oppose the settlement. Ryan, the attorney general, has said he would strongly consider blocking a settlement even if approved by the Gaming Board.

Barry, along with fellow board member Ira Rogal and a spokesman for Gov. George Ryan, said Tuesday the latest subpoena did nothing to shake confidence in Parenti.

Barry, a former state appellate judge, said federal prosecutors generally are exhaustive when requesting documents.

"I really make nothing of it," he said. "From what little I know about federal prosecutions and investigations, they turn over every stone."

"There's certainly nothing that should be of any interest to the FBI," Rogal said of the MGM proposal.

Parenti was hired by the board on the recommendation of the governor's office, where Ryan spokesman Dennis Culloton praised Parenti's work.

"Many times the FBI talks with people about things in order to pursue facts and information. Just because someone talks to an FBI agent doesn't make them a suspect," Culloton said.

He lauded Parenti as a "an experienced former federal prosecutor, an experienced former chief of the criminal division of the attorney general's office and an experienced private attorney."

"He's working with the board on these complicated issues and we have every reason to believe he is doing everything as best he can in an effort to best represent the people's interests," Culloton said.

Board Chairman Gregory Jones said the board would "continue to cooperate fully with any investigations from the U.S. Attorney's office."

In January, federal agents

served the Gaming Board with a subpoena demanding all records on the Emerald Casino. It specifically asked for all records related to the land abutting Interstate Highway 294 where the casino was to be built.

That subpoena also asked for all records related to Emerald investor Nick S. Boscarino, his wife, Sherri, and a trust they control that is listed as an Emerald shareholder. The board last year accused Nick Boscarino of having ties to organized crime.

Boscarino was indicted in January on federal charges accusing him of defrauding Rosemont's former insurance carrier.

After an investigation led by former Gaming Board Administrator Sergio Acosta, the board found top Emerald officials unsuitable for a casino license, accusing them in January 2001 of lying under oath to investigators and bringing on mob-connected casino shareholders.

After the decision, Ryan expressed unhappiness at the stalled casino and replaced two of its four members who wanted to remain on the board, declaring last summer that, unlike dozens of other state boards, he had a policy against reappointing members to the regulatory panel. Two others resigned since the Emerald decision and have been replaced, leaving Jones as the sole board member who voted to revoke the Emerald's casino license.

(Mount Clipping in Space Below)

MGM gets back into Rosemont picture

By CHRIS FUSCO
STAFF REPORTER

The Illinois Gaming Board on Wednesday appeared to back off its opposition to a deal to let MGM Mirage Inc. buy out the owners of a stalled but potentially lucrative casino in Rosemont, with a lawyer for the Las Vegas company saying its takeover hopes are still alive.

State gambling regulators also downplayed federal investigators' recent interest in the Emerald-MGM deal, noting that board employees have "responded appropriately to federal authorities that have subpoenaed documents" since November 2000.

The board has been served with two subpoenas since January, but its administrator, Philip C. Parenti, declined to say how many—or if—others had been issued before then.

The statements, made during and after the board's regular monthly meeting, cast more confusion over controversial talks to bring a casino to the northwest suburb. The board rejected Emerald's plans last year, accusing company CEO Kevin Flynn and his father, Donald, of lying to board investigators and letting two other investors and a construction company with alleged mob ties be involved.

Emerald—while appealing that decision—also has been pitching the MGM buyout to the board in hopes of settling the dispute. Gambling opponents have said the proposed deal is too generous to the Flynn's, noting that it calls for MGM to pay Emerald more than \$600 million for rights to its license, with \$160 million from the sale going to the state's cash-strapped budget.

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A joint statement from the five-member board issued Friday said it "had rejected the current MGM proposal and is considering its own counterproposal" involving other casino companies. But during Wednesday's meeting, Chairman Gregory Jones said simply that the

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board "had rejected a settlement proposal made by Emerald Casino Inc.," declining to say whether there was a substantive difference

between the two statements.

Larry Suffredin, an attorney representing MGM, said the latter means his client has a shot at tak-

ing over the casino site.

"They rejected the settlement proposal made by Emerald, which was not MGM's offer," he said.

"Where it leaves us is going back to Emerald and encouraging them to come back to us with another settlement offer to this board."

(Mount Clipping in Space Below)

State panel tight-lipped on probe of casino

By Douglas Holt
Tribune staff reporter

Federal authorities have been investigating the troubled Emerald Casino deal proposed for Rosemont since November 2000 and have subpoenaed a host of documents regarding the proposal, the Illinois Gaming Board said Wednesday.

The acknowledgement of the investigation came in a terse statement issued by the board, and officials declined to comment further after emerging from a closed-door session Wednesday.

Meanwhile, Gaming Board Administrator Philip Parenti said FBI agents spent more than two hours interviewing him and other staff members last week, but he declined to reveal the subject of the interviews.

"That meeting was nothing but cordial and cooperative," Parenti said, adding that federal authorities were entitled to any records they wished.

The Tribune reported Wednesday that federal authorities subpoenaed records this month from the board related to the proposed buyout of Emerald by MGM Mirage Inc. of Las Vegas. The documents included telephone records for Parenti and the board's chief legal counsel, Mark Ostrowski.

Investigators ordered the board to turn over all internal memos since Parenti took over in November that reflect any contact between Gaming Board employees and officials of Emerald, MGM Mirage and the Village of Rosemont.

The subpoena was issued March 12. Ten days later, the board announced that it had rejected MGM Mirage's \$615 million buyout offer for Emerald.

But the Gaming Board muddied the controversy surrounding the Rosemont casino further Wednesday, saying the decision to reject the buyout was actually made in a closed session a month earlier.

The board said it was entitled to keep its decision secret.

"The Illinois Open Meetings Act allows the board to decline to consider settlement proposals made as part of litigation in closed session without a public vote," the board said in a statement.

Separately, Pete Dominguez, a former general manager of the Grand Victoria Casino in Elgin, agreed never to work again in an Illinois casino, according to a settlement announced by the board. Dominguez also must pay a \$5,000 fine, down from the board's initial recommendation of \$30,000.

The Grand Victoria is appealing a \$7.2 million fine over charges that the casino did business with four mob-connected firms while Dominguez supervised the casino.

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Chicago Sun-Times

An Independent Newspaper

State needs to get casino cash rolling

Oh, what a tangled web has been woven around the Rosemont casino—or maybe a reptilian metaphor would better apply to this snakebit dream project. The Illinois Gaming Board last week blocked a \$600 million bid by MGM Mirage to buy the license for the casino from the discredited Emerald group (a payout of \$160 million would have gone to the state). Then this week the board appeared to be open to some sort of MGM buyout. It's anybody's guess what this confusion means for a timely resolution of a conflict that has dragged on since gambling legislation paved the way for the Rosemont operation in 1999. But timeliness is of the essence: The more Illinois struggles with its financial crisis, the more badly—and quickly—it needs the millions it would draw from the casino.

The marquee villains in the saga are Emerald's top investors, Kevin Flynn and his father, Donald Flynn, who lied to state regulators investigating the company. Two Emerald shareholders and a construction firm in its employ were alleged to have mob ties. No one will emerge from this story spotless. But at this late date, the best hopes for a reasonable settlement lie in the hands of Rosemont's rascally mayor, Don Stephens, who has been shadowed by allegations of mob ties himself since his involvement in a motel purchase from mobster Sam Giancana in 1963.

Stephens is no angel, but he has never been found guilty of anything in a court of law. And he has the big picture in sharp focus. "I don't care who runs the casino," he said in a meeting with the Sun-Times Editorial Board, satisfied that tax revenues from increased tourism and hotel room occupancies would be compensation enough for Rosemont and the 71 communities that would share in the profits. The Gaming Board deemed the MGM deal too lucrative for Emerald's investors, raising the question of how flexible the price of a casino license should be. The suit Stephens filed last week against Emerald is a necessary step in clearing out the Flynn's and making investors whole.

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Stephens also is campaigning for a \$25 million cap on the amount of money the horse-racing industry can get annually from the casino to make up for the business it loses to the new venue. Whether or not you buy his claim that he was "snookered" by the 1999 gambling law he helped orchestrate—only after the fact, he said, did he discover that the racing industry was set to get 15 percent of the casino's gross revenues as opposed to 15 percent of state tax revenues—it doesn't take Alan Greenspan to reject a scenario in which the horse people make twice as much as the state. (Based on projections of \$450 million in revenues, which may well be low, the horse industry would reap \$67.5 million to the state's \$37 million.) Thoroughbred and harness spokesmen say they badly need the money to support thousands of workers throughout Illinois, but there are reasonable limits to what they should get.

Is Stephens genuinely committed to helping the state fix its budgetary problems? Who cares if he can get the casino up and running? Are the Flynns done? We hope so. A hearing to rule on Emerald's appeal of the Gaming Board decision is tentatively set for May. Will MGM Mirage be able to re-enter the picture in light of the latest Gaming Board pronouncement? As much as some people oppose a Las Vegas concern digging its heels in here, there are worse alternatives than this corporation, which is publicly controlled and therefore open to scrutiny. It's time for everyone to get their act together and let the gaming begin.

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Top casino backer seeks 'fair return'

Flynn says family has \$40 million in stalled project

By Douglas Holt
and Dan Mihalopoulos
Tribune staff reporters

The head of the investor group behind the Emerald Casino has all but given up on winning approval to operate in Rosemont. But Kevin Flynn said he will fight to prevent anyone else from gaining the rights to a new casino until his family is assured of a

"fair return" on its investment.

In an interview with the Tribune, Flynn did not specify what he thought a fair return would be, but said he and relatives had 'put' nearly \$40 million into the project. Other investors added another \$52 million, he and other shareholders said.

The Flynn family would have received about \$240 mil-

lion and the other investors would have split \$215 million under a proposed buyout of the Emerald group touted by Illinois Gaming Board Administrator Phillip Parenti but ultimately rejected by the panel in February.

"Just like I don't like being at parties I'm not invited to, if the State of Illinois doesn't want me to have a casino in this state, I'm not interested

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in having one," Flynn said. "But we've had significant risk capital invested for many years, and a fair return is what we're looking for."

"If we can't find a middle ground, we will have to work to vindicate ourselves and our reputations in a court of law."

That could happen soon. An appeal hearing on the Gaming Board's decision last year to deny Emerald a casino license is to begin May 1, and a separate lawsuit on the license may be decided by the end of April.

The Flynn family controls nearly 53 percent of Emerald's shares and can dictate whether to sell the company or to press on with a legal battle seeking to force the board permit construction of the casino.

That does not mean the investor group is solidly behind the

***'I feel like somebody
that's been through the
blender.'***

—Kevin Flynn

Flynn leadership. Just under 20 percent of the shares are held by women and minority investors, who have complained that the Flynns have run the venture into the ground and should agree to sell at no profit to a casino venture acceptable to regulators.

"I've never seen such a display of greed and poor judgment in my life," said Grayson Mitchell, a spokesman for the minority investor group that includes Walter Payton's widow, Connie, and Chaz Ebert, wife of film critic Roger Ebert. "They're trying to milk every dime out of a deal they frankly don't have any right to," Mitchell said of the Flynns. "To be standing at the rail demanding profit is just audacious."

The Flynns invested in the casino company in 1991, though at the time it had a different name and operated a casino near Galena that failed. But after an intensive lobbying drive orchestrated by the Flynns, Rosemont Mayor Donald Stephens and others, lawmakers rewrote state gambling law in 1993 to allow the renamed Emerald firm to revive its casino operations in Rosemont.

The relocation went awry last year when the Gaming Board

found Flynn and his father, Donald, a former Waste Management executive, unsuitable for a casino license, alleging they repeatedly lied to casino regulators and sold shares to mob-connected investors.

Flynn has denied the allegations. He said Emerald had been singled out for punishment, noting that the board allowed Jack Binion to sell his Joliet Empress Casino for \$475 million last year after he had been found unsuitable as an owner.

At the time, Gaming Board officials said they allowed the deal in part to keep a casino running in order to maintain its revenue and employees.

When Flynn was found unsuitable last year, he vowed to fight to the end. Flynn now expresses much less eagerness to attempt to overturn the state's decision.

"A year ago that seemed more important," he said. "I feel like somebody that's been through the blender. I'm just ready to move on, for my family's sake—not my dad, but for my wife and kids."

In a related development, Stephens and House Republican leader Lee Daniels clashed Wednesday over Rosemont's effort to make a casino in the village more politically palatable and financially lucrative for the state.

Under the 1999 law, a large chunk of the state's share of casino revenue would be redirected to a subsidy for the horse racing industry.

But Stephens wants to cap the amount of the subsidy, effectively reducing it.

Daniels told Stephens he would not support legislation to impose a cap because it has little support among lawmakers, an aide to Daniels said.

Even so, the measure passed a House committee on Wednesday on a straight party line vote, with Democrats supporting it and Republicans opposed. A vote by the full House, which is controlled by Democrats, was expected this week.

Horse racing leaders, including Arlington Park Chairman Richard Duchossois have objected to any limit on racing's subsidy.

Stephens said he told Daniels, who is chairman of the Illinois Republican Party, "I think you guys are joined at the hip with Mr. Duchossois." He characterized the current law as a "rip-off for the horse-racing industry."

(Mount Clipping in Space Below)

Casino owners sweeten offer to state

*\$300 million would
be paid to let MGM
operate in Rosemont*

BY CHRIS FUSCO
STAFF REPORTER

The embattled owners of a partially built casino in Rosemont are offering the state \$300 million—nearly double their initial proposal—to end the legal logjam that threatens to stall the project for several more years.

Emerald Casino Inc. detailed its latest offer in letters hand-delivered late Tuesday afternoon to members of the Illinois Gaming Board, which last year declared the company unfit to operate a casino in Illinois. The board seriously has been considering a buy-out plan pitched by Emerald amid lawmakers' concerns about the state's budget deficit, which is tabbed at upwards of \$1 billion.

The board in January 2001 cited misleading statements by two of Emerald's top owners, Kevin and Donald Flynn, plus alleged mob ties by two other shareholders, in rejecting its Rosemont casino plans. Emerald has been appealing that decision while, at the same time, seeking the board's approval of a \$615 million proposed buyout by MGM Mirage Inc. of Las Vegas.

"Acceptance of the settlement offer would allow an approved, li-

censed casino operator to open in Rosemont within six months, creating up to 1,500 jobs, providing a \$300 million lump-sum payment, and beginning the flow of tax revenue," Emerald attorney C. Barry Montgomery wrote to the Gaming Board's five members. "Rejection of the proposal leaves the company no choice but to litigate."

Emerald officials declined to comment about the letter, a copy of which was obtained by the Chicago Sun-Times. Under proposed terms of the settlement, Emerald as a corporate entity would pay \$250 million of the MGM sale proceeds to the state. The Flynns would pay \$50 million on top of that.

Based on the proposed sale price and after legal bills, escrows and other expenditures, the deal would leave the seven members of the Flynn family—who own more than half of the company—with proceeds of about \$115 million. The Flynns have invested \$39.5 million so far. Fifty-plus other shareholders in the company would split \$150 million.

Shareholders identified as having alleged mob links would not profit, but would be reimbursed what they invested.

Leading gambling critics decried the proposal as too generous to Emerald.

"If [Gaming Board Administrator Philip] Parenti and the board's major concern is how to take care of the taxpayers of Illinois, they've

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overstepped their bounds," said the Rev. Tom Grey, who heads the National Coalition Against Legalized Gambling.

Gene O'Shea, a spokesman for the Gaming Board, declined to comment on Tuesday's proposal.

The board on March 22 issued a statement saying it had rejected the proposed MGM buyout and was "considering its own counter-

proposal" regarding Emerald. But the board in another statement the following week appeared to back away from that stance, with MGM attorney Larry Suffredin saying the company still has a shot at taking over the Rosemont project.

Rosemont Mayor Donald E. Stephens said he hopes the Gaming Board approves the MGM buyout despite his concerns about the

Rosemont casino providing more money to the horse-racing industry than to the state. Stephens had said he would block the casino from coming to Rosemont if lawmakers didn't change that formula.

While that change looks unlikely for now, "We've got to solve one problem at a time," said Stephens, explaining why he would support the MGM takeover.

(Mount Clipping in Space Below)

Casino group ups its offer to state

Puts \$300 million on table for OK

By Douglas Holt
Tribune staff reporter

Emerald Casino officials offered Tuesday to hand the state \$300 million as part of a new push to convince Illinois regulators to approve a casino in Rosemont.

The proposal, delivered in a letter to the Illinois Gaming Board, nearly doubles the \$160 million casino officials offered in a failed effort to settle allegations that top Emerald officials lied to state regulators and sold casino shares to people with ties to organized crime.

Gaming Board Administrator Philip C. Parenti declined to comment on the latest proposal for divvying up \$615 million that Las Vegas gambling giant MGM-Mirage Inc. has offered to pay for a license to build a casino.

Emerald Casino Inc., headed by former Waste Management executive Donald Flynn and his son Kevin, formerly ran a failed casino near Galeana. The company persuaded lawmakers in 1999 to grant them exclusive rights to move to Rosemont under a controversial gambling law.

But the deal foundered last year when the Gaming Board found the Flynnns unsuitable for a casino license.

Under the proposal, the Flynnns would pay a disproportionate share to the state. All Emerald shareholders, including the Flynnns, would pay \$250 million, but the Flynnns would pay an additional \$50 million, sources said.

Also, two shareholders with alleged mob ties would not be allowed to profit under the proposal.

In a recent interview with the Tribune, Emerald CEO Kevin Flynn said his family

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CASINO: Legal matters are looming for Emerald

CONTINUED FROM PAGE 1

wants a "fair return" for roughly \$40 million they have sunk into the casino company.

The latest proposal would leave the Flynns with more than \$100 million before taxes and a profit of roughly \$50 million after taxes and expenses are accounted for, said a source familiar with the negotiations.

The latest pitch by Emerald comes at a critical time. Two legal matters are rapidly coming to a head. A lawsuit Emerald filed last year seeking to force the state to grant it a casino license is expected to be heard, and possibly decided, this month. Next month marks the start of a potentially damaging appeal in which the state will lay out why it accused Emerald directors of wrongdoing—a process Emerald would like to avoid.

Meanwhile, federal prosecutors are investigating the proposed casino buyout, as well as Nick S. Boscarino, one of two casino shareholders with alleged ties to the mob.

The new proposal also swings a spotlight onto Atty. General Jim Ryan, the Republican candidate for governor. While seeking his party's nomi-

nation, he spoke out against any deal that would give the proposed casino's politically connected investor group windfall profits. He also said any sale should not pre-empt the appeal process set to begin in May.

Late Tuesday, his spokesman, Dan Curry, said Ryan's position had not changed.

"If an attempt is made to do this prior to the revocation process, he would strongly consider using the powers of the attorney general to block the sale," Curry said.

But one casino shareholder, part of a group of minority and women owners required by state law, said the proposal would reduce profit to alleged wrongdoers while giving the state a sweeter deal.

"They're getting there," shareholder Al Johnson said. "To me, in view of the fact the state has a huge deficit, if we can come with \$300 million to give to the state, boy, what a help that would be to 3,000 or 4,000 people they're talking about laying off. This makes good sense."

Other casino owners include the wife of Timothy Degnan, a former top aide to Chicago Mayor Richard Daley; John M. Sisto, nephew of state Rep. Ralph Capparelli (D-Chicago), a key casino backer; and Susan A. Leonis, a friend of Rosemont Mayor Donald Stephens and a lobbyist for Rosemont.

Anti-gambling activist Tom Grey said Gaming Board officials have redefined their charge to maximize state revenues rather than regulate casinos as envisioned by state law.

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member quits

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State Gaming Board member quits

Robert Mariano said Friday he has resigned from the Illinois Gaming Board to become president and chief executive officer of Roundy's Inc., a Wisconsin-based grocery wholesaler and owner of two retail chains.

Gov. George Ryan appointed the former Dominick's Finer

Foods CEO in June in an effort to bring a "fresh perspective" to the five-member panel after it denied a license to the proposed Emerald Casino in Rosemont.

The change in personnel did not result in a reversal of the decision against Emerald. The would-be casino company is

appealing the decision, and the board has rejected efforts to settle before a hearing next month.

Mariano's term was to last three years. In an April 10 letter to Ryan, he said his new duties will leave him "unable to devote the necessary time to the Gaming Board."

FBI/DOJ

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